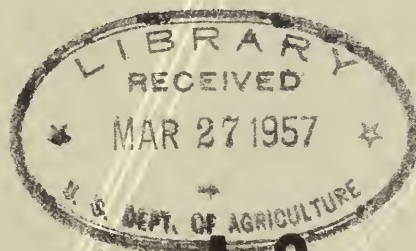


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DEVELOPING FOREIGN MARKETS for U.S. FARM PRODUCTS



A Summary of Promotional Activity

January 1957

A stylized black and white illustration of a globe, showing the continents of North and South America. It is positioned in the bottom left corner of the cover.

UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

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Developing Foreign Markets For U.S. Farm Products

A Summary of Promotional Activity

By developing foreign markets for U.S. farm products, the Foreign Agricultural Service is attempting to increase total sales made by American farmers. In one way or another the work of the agency is geared to this objective--regaining, maintaining, building markets abroad for the products of American farms. This first annual report on the job of market development summarizes the promotion activities undertaken to open the way to increased U.S. sales abroad.

Export Situation 1955-56

Value of U.S. agricultural exports rose 11 percent in fiscal 1956 over 1955. Exports of \$3,493 million, compared with \$3,144 million in 1955, surpassed the 1950-54 average by 8 percent.

Quantity exported was the largest in 30 years. The 1956 volume was only slightly below the boom year 1927 and exceeded the recovery years following World War II and the Korean scare buying year of fiscal 1952.

Strong economic activity abroad stimulated much of the increase, together with U.S. export programs. The high foreign demand also reflected rising populations, increased dollar receipts, and supply shortages. Programs helped finance about 40 percent of the exports; the percentage was less than 30 in fiscal 1955. Of exports aided, nearly four-fifths were paid for by importers abroad with local currencies, bartered goods, or U.S. credits, and the rest with U.S. relief and aid grants, which, however, continued to decline.

Many countries received the increased U.S. exports. United Kingdom, Japan, and Canada continued as the three largest outlets. West Germany moved up to fourth, just ahead of the Netherlands. However, the increase to these large buyers was not as great as the gain to the many smaller importing countries.

Wheat and flour exports moved well

above fiscal 1955, reaching the high level of 1950-54. About 70 percent was shipped under U.S. Government programs, largely foreign currency sales and barter.

Feed grain shipments set a new record of 8.4 million short tons. Foreign supplies had decreased and the shortage resulted in stronger demand on the United States. About 60 percent were financed by U.S. Government programs, largely barter.

Cotton was not competitive in price early in the season, but was aided by special programs later. Lower prices for foreign growths resulted in U.S. exports falling off sharply. In January, however, Commodity Credit Corporation began selling 1 million bales of short staple at competitive bid prices below domestic market levels. CCC similarly offered other upland staples beginning in April, but shipments were not permitted until August 1. Advance sales totaled 3 million bales by June 30. The program makes the current season's outlook a jump from almost the lowest in 85 years to the highest in nearly 25.

Livestock and meat exports were strong. Tallow set a record and beef reached the highest in 9 years. Pork, lard, and hide shipments also rose. Low U.S. prices and high quality, with strong demand, brought the increases. More dairy products moved, mostly by donation, and poultry products opened new markets.

Oil seeds and oils set a new record. Exports of soybeans and cottonseed and soybean oils were stimulated by high level economic activity and short supplies abroad, coupled with U.S. programs and competitive prices.

Tobacco exports reached a 9-year peak. They rose sharply after being relatively stable in recent years. PL 480 sales for foreign currencies financed 60 per cent of the increase.

Fruits and vegetables exported continued to reflect increasing foreign demand. Fresh oranges, also grapes, set new records. Canned fruit and vegetable shipments reached the highest in several years.

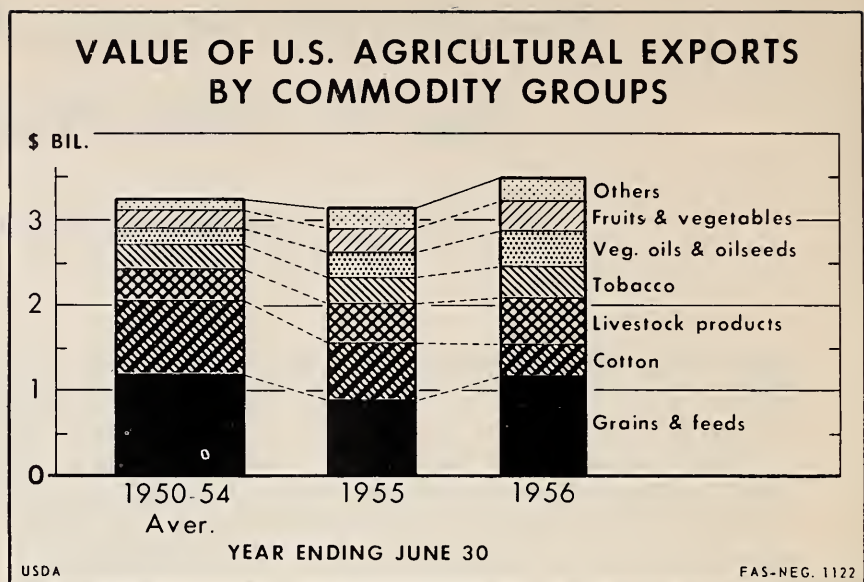
The outlook for the current fiscal year 1957 is even more favorable to U.S. farm exports. Cotton may nearly triple 1956 shipments with the CCC competitive pricing program. Wheat exports are continuing to increase, primarily because of shortages abroad and U.S. program financing. Other commodities have good prospects except tobacco and feed grains whose exports likely will recede sharply from the peaks reached in fiscal 1956.

Market Development Activities

U.S. Trade Programs

U.S. trade programs have been necessary to dispose of the agricultural surpluses which grew out of the great needs of World War II and its aftermath, and later of the Korean conflict. Encouraged by special incentives and programs, U.S. farmers expanded production to record levels to meet the essential requirements of the United States and its allies and friends.

Demand for this expanded output changed sharply when foreign countries rebuilt production, many of them through various incentive devices and under the sustaining influence of U.S. price support programs. In only 2



years, from the 1951 Korean peak to 1953, the U.S. lost foreign outlets for the output of 22 million acres. The result was a large accumulation of surpluses.

The United States was unable to maintain a competitive position in world agricultural trade partly because of U.S. price supports but also because of dollar shortages, import restrictions, bilateral trading arrangements and numerous other barriers to trade in U.S. farm products. Special types of programs to stimulate exports of U.S. agricultural products have therefore been undertaken. In the three fiscal years 1954-56 these programs moved over \$3 billion of farm products into export channels--in 1956 alone, \$1.4 billion, besides the sales for dollars and on dollar loans. This amounted to 40 percent of total agricultural exports.

Some countries that offer prospects of providing good markets for U.S. agricultural exports are currently short of commodities in surplus here, but do not have sufficient foreign exchange to meet their present local demands with imports. During the time when they are initiating costly economic development plans, the most effective way to build future markets for U.S. products in those countries is to provide interim financing of exports through special programs.

CCC Export Sales.--Agricultural commodities held by the Commodity

Credit Corporation of the United States Department of Agriculture (CCC) are available to U.S. commercial exporters, primarily for dollar sales. CCC issues a monthly sales list showing price support stocks available and terms of sale. In addition to facilitating movement of government inventories into domestic uses, the list sets prices of certain commodities for export at competitive world levels to encourage sales abroad. In fiscal 1956, export sales totaled \$992 million, part moving under U.S. trade programs.

Dollar Export Credits.--For several years, the Export-Import Bank has made loans to foreign countries for the purchase of U.S. cotton. During 1956, the Commodity Credit Corporation and Export-Import Bank have developed general programs for the financing of exports of agricultural commodities. CCC credits are available for CCC-owned commodities and for tobacco pledged to CCC under price support programs. Assurance of payment by a U.S. bank is a condition for CCC export credits. Export-Import Bank loans are available also for surplus commodities not owned by CCC. And they are made to foreign banks or against the guarantee of a foreign bank.

Processing of U.S. agricultural commodities may in some cases be facilitated by operations of the newly established International Finance Corporation, an affiliate of the World Bank.

Sales for Foreign Currencies.--U.S. agricultural products are sold for foreign currencies under Title I, Public Law 480, the Agricultural Trade Development and Assistance Act of 1954. The commodities sold are mostly those held in large quantities by CCC as a result of price support operations. Under agreements with friendly governments, sales are made by private U.S. traders to importers or buying missions designated by the purchasing countries. CCC is authorized to incur costs up to \$3 billion in financing the commodities at investment value and other expenses of these sales, and agreements may be entered into through June 30, 1957. This program makes U.S. surplus agricultural

commodities available in greater quantities than would otherwise be possible to countries where dollar exchange earnings are limited. The agreements are negotiated on a government-to-government basis because certain commitments, such as maintaining usual U.S. marketings, are obtained from importing countries. The program got fully underway in mid-fiscal 1955, and agreements negotiated by the end of fiscal 1956 covered \$1.5 billion total CCC investments and costs, \$956 million market value of commodities. From July-October 1956, agreements were negotiated for an additional \$840 million CCC cost, about a half billion market value; three-fifths of this was in the 3-year agreement with India.

Foreign Aid Financing.--Section 402 of the Mutual Security Act (Public Law 665) provides that not less than \$250 million of Mutual Security funds must be used during fiscal year 1957 for financing the procurement of surplus U.S. agricultural commodities by countries receiving foreign aid. Most of these commodities go to the relatively few countries obtaining assistance from the United States. Section 402 funds may be used to finance usual U.S. marketings that a country is committed to purchase in connection with the Title I, Public Law 480 sales for foreign currencies. In fiscal 1956, the total financed was \$340 million.

Barter.--CCC stocks are bartered for strategic materials under Title III, Public Law 480. Transactions are effected through contracts between CCC and private U.S. business firms. The United States obtains strategic materials that entail less risk of loss through deterioration or that are subject to substantially lower storage costs. Besides strategic materials, barter contracts may provide for other materials, goods, and equipment needed by government agencies for their programs. In fiscal 1956 the value bartered totaled nearly \$316 million.

Government Relief Grants.--Title II of Public Law 480 authorizes the transfer on a grant basis of CCC stocks for use by friendly peoples abroad. This authority is limited to \$500 million in terms of

CCC investment through June 30, 1957. The program has been used largely to furnish emergency relief overseas to alleviate suffering resulting from flood, earthquake, hurricane, drought, crop shortages, and other natural disasters, but has also furnished commodities for school lunch and other relief needs. The CCC investment value of commodities furnished totaled \$110 million in fiscal 1956, about the same as in 1955.

Donations Through Organizations.-- Under Title III, Public Law 480 (Section 416, Agricultural Act of 1949), CCC stocks are donated, through U.S. non-profit voluntary relief agencies like the American Red Cross and through inter-governmental organizations such as United Nations Children's Fund, to assist needy persons outside the United States. Most of these organizations have conducted relief programs for many years, but this authority permits them to distribute substantial amounts of surplus foods for relief uses. The program expanded greatly in fiscal 1956, totaling slightly over \$300 million, CCC investment value.

Reducing Foreign Trade Barriers

The foreign exchange position of other countries affects their ability to buy U.S. agricultural products and influences the trade policies they follow.

Although more recent events have been rapidly changing the situation, prospects for market development for U.S. farm products in foreign countries were enhanced in 1955-56 by a substantial improvement in the gold and dollar holdings of foreign countries. These holdings amounted to \$28.5 billion at the end of June 1956. This represented an increase of 80 percent since December 31, 1949.

The improvement, however, was unevenly distributed among the foreign countries. West Germany and Japan both recorded substantial gains; their gold and dollar reserves amounted to \$2.7 billion and \$1.2 billion, respectively. Also six other countries had on June 30, 1956, gold and dollar holdings over \$1 billion - United Kingdom, \$3.1 billion; Switzerland, \$2.4 billion; France, \$1.8



"Tasty wheat foods bring you good health tomorrow" reads this poster, prepared by the Japanese Nutrition Association as part of a project using local currency to stimulate wheat consumption in Japan.

billion; and Belgium-Luxembourg, Italy, and Netherlands, \$1.2 billion each. Other countries with large gold and dollar assets include Venezuela, Portugal, Cuba, and Mexico.

Other than their resources for buying imports, foreign countries are greatly affected as markets for U.S. agricultural products by their trade policies. In the promotion of policies favorable to expanding markets abroad for U.S. agricultural products, a number of important developments have been taking place.

The United States participated in an international tariff reduction conference held in Geneva under auspices of the General Agreement on Tariffs and Trade (GATT) during the first 5 months of 1956. This was under the Trade Agreements Extension Act of 1955, authorizing the government to seek further tariff concessions abroad in exchange for reductions in U.S. duties on selected imports.

Participating in the conference were 21 of the 35 member-countries of GATT; each exchanged a number of tariff concessions with the United States.

The Department of Agriculture was active in preparing for and carrying out the tariff negotiations, as a result of which duty concessions were obtained for U.S. farm exports valued at almost \$100 million in terms of 1954 trade. In addition a number of concessions negotiated between other countries will also benefit U.S. exports of farm products. In return, U.S. tariff duties were reduced on about \$130 million worth of competitive agricultural products in terms of 1954 imports into the United States.

Intensive efforts also have been made during the past year to promote the relaxation of other barriers to trade. These barriers are mainly quotas, restrictive licensing, or fees and taxes on foreign exchange. Countries aim them particularly against U.S. products because of dollar shortages and the desire to use their available dollar exchange for goods not as readily available from soft currency areas. The application of these barriers therefore discriminates against U.S. agricultural products.

At the 10th regular session of the GATT, October - November 1955, consultations were held, as in previous years, with countries whose import restrictions were creating hardships for particular U.S. exports. In the following months, agricultural attaches, commodity specialists from FAS, and U.S. embassy officers in the countries concerned continued pressing for relaxation of controls. As a result, a number of countries have measurably reduced their restrictions. These discussions, both in the 11th Session of the GATT and by our embassies, are continuing. Furthermore, a U.S. proposal under the procedures of the GATT for an overall review of the application of trade controls growing out of balance-of-payments difficulties, has been accepted by the other contracting parties. This review is scheduled to begin in June 1957.

Market Surveys and Analysis

Agricultural intelligence, acquired

mainly through the U.S. agricultural attache system of the Foreign Agricultural Service, provides a large volume of statistics and basic economic facts covering production and trade of other countries. To determine the competitive position of U.S. exports, the agency continuously analyzes the foreign production and exports of other countries and demand situation locally in exporting and importing countries. It also makes special studies on the competition resulting from production trends in other countries, as well as their export programs, methods of subsidizing exports, and foreign exchange manipulations. A report of the past year's competition studies, "Competitive Position of U.S. Farm Products Abroad," was issued in January.

To determine the possibilities for increasing U.S. exports, FAS commodity specialists make surveys of the market situation in importing countries, analyzing production trends, restrictions against imports, and discrimination against hard currency exporters like the United States. They analyze the competitive position of U.S. exports in import markets on the basis of market conditions, the price situation, trends in supplies available, and apparent trends in demand. Information is obtained from U.S. and foreign trade publications, direct contacts with private traders in this country and others, and attendance at trade meetings both here and abroad. Direct contacts are also made with foreign government officials here and abroad whose attitudes and information materially affect the position of U.S. products in many markets.

Through trips to foreign market areas, the commodity specialists investigate and analyze the position of U.S. products as to price, quality, standards and requirements applied in importing countries, methods of grading, and buying practices. Many of these surveys and investigations discover and develop new market opportunities. These marketing specialists attempt to develop U.S. market possibilities from any new types of processing or packaging that indicate commercial opportunities. Technical

help is provided to foreign industry and government agencies on blending, improvement of standards, and other factors that will increase utilization of U.S. farm products.

Advance information about shortages which may develop provide a basis for reports to the U.S. trade, enabling private exporters to take advantage of commercial business which otherwise might escape confirmation to trade firms until foreign competitors had taken advantage of the earliest opportunities. New demand is analyzed for its commercial possibilities resulting from economic growth, changing market conditions, and changes in consumer habits. Emphasis is placed on long-term market opportunities which are likely to provide markets for future dollar sales; but when immediate sales might not be possible on hard currency terms or dollar credits, the possibilities of using special program financing, particularly for an interim period, are also reported through appropriate government channels. In many cases, discussion with foreign government officials increases their understanding of the various program possibilities and enables them to arrive at conclusions which provide a basis for official requests upon the United States. In numerous instances these special program operations eventually open new commercial market opportunities entirely through U.S. private trade channels.

Projects Using Foreign Currencies

An important tool for promoting markets abroad for U.S. agricultural commodities is the work done through foreign currency market development projects. These projects are financed by part of the foreign currencies derived from sales made under Title I of Public Law 480, and are authorized by Sec. 104(a) of that Act. The objective is to help develop foreign markets that will become normal commercial dollar markets.

These market development activities are carried on cooperatively with U.S. and foreign trade groups, also some with State colleges. The general pattern is

this: The U.S. Department of Agriculture provides part of the foreign currencies required and guides and follows up on the work through its Foreign Agricultural Service. The U.S. groups help organize and carry out the projects and provide the necessary component of dollar funds. The foreign groups also participate in the projects, and share the local costs.

These activities are expected to stimulate private organizations in the United States and abroad to work together on the problems of expanding markets for U.S. agricultural exports. Also they make use of the valuable know-how of these groups. In addition, since private trade is expected to take a major role in expanding exports, this procedure ensures the active interest of the trade in seeing that the projects achieve their goals. The contributions by the various parties, of course, increase the funds for the work.

Among the many types of market development projects planned or underway are: market surveys - for example, the survey-team study of possible markets for dairy products in Colombia; promotion of specific commodities, such as promoting consumption of cotton products in France; promotion of better nutrition, typified by nutrition demonstrations in Japan, especially on wheat products; visits of foreign trade groups and specialists to the U.S., as the visit of the Finnish tobacco delegation; visits of U.S. specialists to foreign countries, typified by the visits of tallow specialists to Korea; and education and demonstration, such as showing U.S. breeding cattle in Peru.

As of October 1, 1956, 38 different projects were underway or had been completed, involving obligations of foreign currencies equivalent to over \$3,000,000. These are discussed and described in the individual commodity discussions that follow.

International Trade Fairs

One of the techniques being used by the Foreign Agricultural Service to develop broader foreign markets for U.S.

agricultural products is the display of these products at international trade fairs, food fairs, and similar events abroad. There, many people throughout the world have their first opportunity to see, taste, and feel these U.S. products.

Participation in the fairs offers the United States an excellent opportunity to acquaint potential customers abroad with the availability, quality, and uses of U.S. agricultural commodities--for international trade fairs are a major means by which trades people in many foreign countries do business. Most of the fairs are open to the general public, but their chief purpose is to bring together buyers and sellers from many parts of the world.

In organizing its trade promotion exhibits at trade fairs, the Foreign Agricultural Service works with private agricultural trade groups and with other government agencies--chiefly the U.S. Department of Commerce and the U.S. Information Agency. In general, the industry concerned provides exhibit ideas, technical personnel, display materials, and, in some cases, commodities for sampling. The Foreign Agricultural Service organizes and manages the exhibit; arranges for its design, construction, and operation; and provides travel expenses of industry technicians and commodity specialists participating in the joint effort. It also organizes and arranges for special trade promotion activities in connection with the exhibit. Costs are met through the use of foreign currencies derived from sales made

under Title I of Public Law 480 and by contributions from U.S. and foreign trade groups.

Since October 1955 the United States has sponsored 10 agricultural trade-promotion exhibits, at which the total attendance reached approximately 7,500,000. The displays have ranged from a small exhibit at the Dominican Republic's International Fair for Peace and Progress to a complete American supermarket--10,000 square feet in size--with a full range of commodities on display at Rome's Third International Congress on Food Distribution. In London, the U.S. exhibit was by far the largest and best attended of the 14 national exhibits. In Osaka, the U.S. agricultural display led the entire fair in attendance. The U.S. pavilion at Barcelona received general recognition as the most attractive building on the grounds.

Below is a complete list of the international events in which the U.S. Department of Agriculture has participated:

1955

Cologne, Germany . . . October 1 - 9
Bogota, Colombia . . . November 29 -
December 11

1956

Ciudad Trujillo,
Dominican Republic January 11 -
February 27
Osaka, Japan April 8 - 22
Barcelona, Spain . . . June 1 - 20



Pavilion of the United States of America at the Bogota, Colombia, trade fair, one of 10 at which USDA has displayed farm products as part of the effort to broaden foreign markets for U. S. Agriculture.

Rome, Italy June 18 - July 1
 London, England. . . . August 28 -
 September 15
 Salonica, Greece . . . September 2 - 23
 Zagreb,
 Yugoslavia September 7 - 20
 Vienna, Austria September 9 - 16

A wide variety of U.S. commodities has been displayed and, in many cases, distributed in sample form at these exhibits. The commodities include lard and meat products, citrus fruits and juices, dried fruits, canned fruits and vegetables, dry peas and beans, honey, walnuts, beverage bases and concentrates, tobacco, cotton fabrics, recombined milk, ice cream, bread, cake mixes, soybeans, doughnuts, cheese, poultry, and frozen foods.

Private Trade Activities

A basic problem in promoting exports of U.S. agricultural commodities has been the loss of direct contact by U.S. traders with foreign buyers for many years after World War II began. This separation was continued after the war by lack of buying power in many of the countries that had been the best customers for U.S. agricultural products. True, some of the earlier U.S. Government programs assisted in furnishing necessary foreign exchange, but they were government operations and did not always lend themselves to normal sales contacts.

A major objective of the Foreign Agricultural Service has been to re-establish the direct sales contacts of the U.S. traders with the private buyers abroad. To make U.S. sales operations most effective, it was necessary for trade representatives of the United States to follow through with brokers, manufacturers, processors, wholesalers, and even retail groups.

The private trade of the United States that can sell farm commodities and processed products in foreign markets consists of many different segments with widely varying business interests. Some firms maintain their own representatives in major foreign markets to promote private brands, build up direct buying accounts, and represent their

special interests. Some utilize foreign firms or agents as their representatives, who in some instances concentrate on selling U.S. products and in others handle products from any source, depending mainly on the buyer's preference or the sales margin. Some commodities are exported mainly through international firms. In any event, the competition is keen in terms of price, qualities, credit, and almost every respect. At the same time, buying and selling practices sometimes do not take sufficient advantage of the demand for quality products; for example, handlers often mix different qualities, so that they finally deliver a relatively low mixture within a standard grade or class.

The work done by Foreign Agricultural Service to meet these complexities and problems emphasizes the importance of direct visits by U.S. trade leaders and traders with their potential customers abroad. The effort was initiated on a broad scale with the agricultural trade missions, organized early in 1954 to represent different segments of U.S. agriculture and travelling to many countries of northern and southern Europe, Latin America, and the Far East. Since then, these visits have continued to multiply. Through these direct foreign trade contacts, strong efforts have been exerted to represent the specific interests of U.S. farmers, as distinguished from the general interests of all other producers in competing exporting countries.

As private firms have recognized the possibilities for increased sales and profits from expanding their foreign outlets, they have increased their foreign promotion activities through newspapers, magazines, billboards, radio, television, fairs, demonstrations, and sampling. Some of the U.S. producer and trade groups recently have established new associations or committees which will more effectively represent the interests of U.S. farmers in promoting exports. These new associations have enabled the U.S. trade to participate more directly in the promotion activities being carried out by the Foreign Agricultural Service, especially through the projects

using foreign currencies acquired from surplus sales. The associations have also been able to distribute directly to the U.S. trade more of the agricultural intelligence available from the Foreign Agricultural Service.

Market Information and Services

Dissemination of timely information on sales prospects abroad for U.S. agricultural products is one of the most important functions performed by the Foreign Agricultural Service. This work aims to keep farmers, farm organizations, handlers, processors, and exporters informed concerning import requirements in deficit countries and export availabilities from surplus areas. Thus it helps them take full advantage of their opportunities in foreign markets and adjust their production and marketing operations to changing world supply and demand conditions.

This work supplements and pinpoints the basic economic information on world agriculture obtained from (a) intelligence reports of agricultural attaches, (b) various trade and market reports published in foreign countries, and (c) surveys abroad by specialists.

Market opportunities are reported regularly in the Foreign Agricultural Service weekly publication, Foreign Crops and Markets. More detailed information and background, as well as general market surveys, are published frequently in circulars. Spot market reports are made to interested farm and trade groups as the information becomes available.

Marketing specialists also report on market opportunities at meetings across the country and open the way for them abroad. They travel widely, and have numerous direct contacts with foreign government officials, trading agencies, importers, and consumer groups. By attending trade meetings abroad, representatives of the Foreign Agricultural Service obtain information and increase their understanding of factors that may influence U.S. export markets. Too, they take these opportunities to emphasize such factors as the desirable quality and competitive price of the products available from the United States and the

proven ability of U.S. exporters to maintain deliveries in accordance with the needs of the importers.

Many members of the U.S. agricultural industry travel abroad, too, of course. When they do the Foreign Agricultural Service often provides special introductions to the U.S. agricultural attaches and through them to the best foreign government and trade contacts, as well as direct introductions to many commodity groups and firms in foreign countries.

The most recent information tool in market development is the four-page summary of new market opportunities Spotlight on Foreign Marketing. It is distributed to U.S. agricultural attaches and other Foreign Agricultural Service staff members, and it serves as a basis for disseminating ideas on market development to be used with U.S. and foreign trade firms.

The U.S. agricultural industry is also served by the reports, exhibits, and display samples prepared in the U.S. Department of Agriculture for U.S. agricultural attaches to use in building up and maintaining the interest of foreign buyers in purchasing U.S. farm products.

Activities by Commodities

COTTON

Export Situation - 1955-56

Exports of cotton from the United States in 1955-56 were the lowest for any peacetime year since 1871-72, with the exception of 1947-48. The figure for the year ending July 31, 1956 was 2,321,000 bales (500 pounds gross weight). In contrast, the total for 1956-57 is expected to be about 6.5 million bales and probably will be the largest since 1933-34, when exports totaled 7.5 million bales. The principal reasons for the sharp rebound in U.S. cotton exports this year are the competitive pricing of U.S. cotton for export sale, low stocks in nearly all foreign countries, rising consumption abroad, and a desire by foreign mills and importers to rebuild

inventories of cotton and cotton goods as a hedge against the possibility of inflation.

All cotton exported from the United States since August 1, 1956, was purchased by U.S. exporters from government-owned stocks or was exported from privately held stocks in substitution for cotton so purchased. The principal channels through which cotton passes to export markets are (1) cash sales for dollar currency, including those under Export-Import Bank loans and barter transactions, (2) sales for foreign currency under Title I, P. L. 480, and (3) sales for foreign currency under Section 402, P. L. 665 (ICA program). (See table on page 6.)

The decline of about 25 percent in world cotton prices since early in 1955, together with legislation in the United States that assures the availability of U.S. cotton for export at competitive prices, is providing a stimulus for cotton consumption abroad and at the same time has had some deterring effect upon further expansion of foreign production. Cotton manufacturers are in a better position to meet the growing competition of synthetics and other fibers at present price ratios.

The extent of the effect of reduced cotton prices on foreign production of cotton in 1956-57 is not yet fully known, but preliminary reports indicate a reduction of about 2 percent in foreign Free World acreage as a whole. Preliminary reports indicate that foreign production, because of increased yields per acre, will be slightly higher than last year.

The two programs mentioned above and the Export-Import Bank loans accounted for about 1.6 million of the 2.3 million bales exported in 1955-56 and are expected to provide financing for exports of about 2.8 million of a probable total export of 6.5 million bales in 1956-57.

U.S. Trade Programs

Since the close of World War II, foreign aid programs have been an important factor in the volume of cotton the United States has exported. The proportion of total exports moving under U.S.

programs from 1948-49 through 1955-56 has ranged from a high of 60 percent in 1949-50 to a low of 15 percent in 1951-52. During the 1955-56 fiscal year a little less than half of U.S. cotton exports moved under aid and P. L. 480, Title I, programs.

As of November 19, 1956, the following funds (excluding loans) were committed by the U.S. Government for financing exports of cotton in the 1956-57 fiscal year:

<u>Program</u>	<u>Value (Million dollars)</u>	<u>Quantity (Million bales)</u>
International Cooperation		
Administration. . .	100.2	0.7
Public Law 480:		
Title I	260.5	1.7
Title II	0	0
Total	360.7	2.4

In 1955-56, less than 50,000 bales of cotton moved into export channels under Title II, P. L. 480. The 1955-56 barter sales were also low; they amounted to only 51,000 bales. However, those registered with CCC in the July-September 1956 period totaled 364,000 bales.

Export-Import Bank loans also helped increase the sales of U.S. cotton for dollars. In 1955-56 about 350,000 bales were financed under Export-Import Bank loans. Loans approved through November 19, 1956, for the fiscal year 1957 provide for financing about 450,000 bales.

Sales for Foreign Currencies.--The first purchase authorization covering the sale of U.S. cotton under Title I, P. L. 480 was issued in January 1955. Through December 3, 1956, sales under the program had reached a total of 1.3 million bales. Through the same date, Title I agreements had been made with 17 countries providing for the sale of \$392.7 million worth of cotton. This sum will purchase about 2.6 million bales. After allowing for about 333,000 bales for export to India during the 1957-58 and 1958-59 marketing seasons, and for 541,000 bales exported prior to August 1, 1956, there will be about 1.7 million

bales available for export during the 1956-57 season under agreements already concluded.

From January 1955 through November 1956, sales of cotton had been completed on 8 Title I purchase authorizations covering about \$95.1 million worth of cotton. Under 38 other purchase authorizations, about 47 percent of the total quantities provided for had been sold.

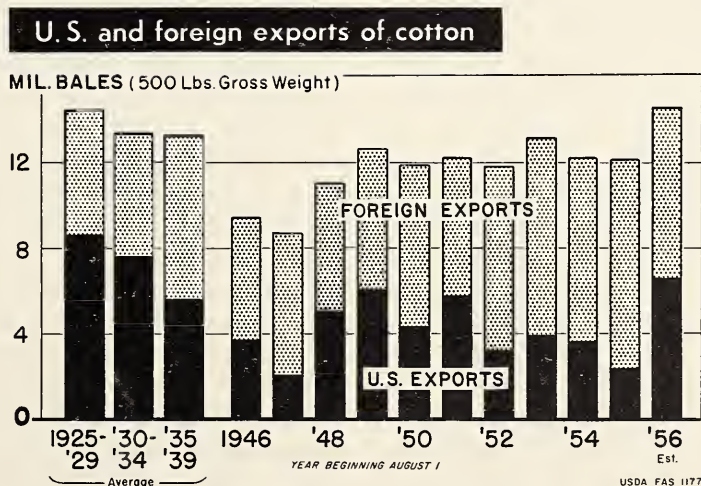
The sale of cotton under Title I, P. L. 480 has been a significant factor in the program to regain a fair share of the world market for the United States. The financing of cotton sales for foreign currencies became available in fiscal 1955--at a time when U.S. cotton were not available at prices competitive with foreign growths. Without P. L. 480 and other special programs, U. S. exports would have fallen even lower. While sales of cotton under Title I provided some support against shrinking exports, the tide did not begin to turn until the special million-bale export sales program for short-staple cotton at competitive world prices became effective on January 1, 1956. The success of the million-bale short-staple program, and the new program for all qualities beginning in April 1956 for export after August 1, reversed the trend of declining exports. As of December 11, 1956, CCC had sold 6.2 million bales of cotton for export not later than August 15, 1957. This quantity already exceeds the total exports of U.S. cotton for any season since 1939-40.

The 1956-57 prospects for cotton export sales other than those under foreign aid programs are also very good. With prices competitive, export sales for dollars are expected to rise sharply and to constitute a much greater portion of total export sales than in recent years. Sales under Title I of P. L. 480 and foreign aid programs, however, will continue to be an important factor in expanding the foreign market for U.S. cotton. This is especially true in those countries where foreign exchange balances are inadequate for commercial dollar purchases.

Reducing Foreign Trade Barriers

The dominant factor affecting the foreign market for cotton during the past few years, and up to the first half of 1956, has been the price support operations and sales programs of CCC. The higher prices of U.S. cotton relative to those for other growths in foreign markets contributed considerably to the decline in export sales. Now that provision has been made for U.S. cotton to be sold in foreign markets on a competitive basis, there is an opportunity for regaining a fair share of the world cotton market.

During recent years the imposition of restrictions on U.S. cotton by importing countries has declined in importance. Italy is the only important importing country that levies a duty on cotton imports; but, following the efforts of an FAS cotton marketing



specialist, Italy recently modified the import duty on U.S. cotton to make it comparable to the duties imposed on other growths. The new rate, which became effective May 21, 1956, is based on actual values instead of arbitrary values on an area basis. This will mean a saving to Italian importers of about \$3.50 on each bale of U.S. cotton imported and will make U.S. cotton more competitive with foreign growths in the Italian market.

Market Surveys and Analysis

FAS cotton marketing specialists maintain contact with marketing conditions and developments in all the important cotton consuming countries.

Early in 1956, a market survey was made in the major cotton consuming countries of Western Europe. There, market conditions for U.S. cotton were much confused. The special million-bale export program was in progress. It was the first step in returning U.S. cotton to a competitive position in foreign markets, and there was much speculation as to what type of program would follow. The announcement of a new export sales program in late February, including all grades and qualities of upland cotton, was received with enthusiasm.

The most significant fact discovered in this survey was that the European countries still have a strong preference for U.S. cotton. The importers and mills expressed a keen desire to have it come into the market at prices competitive with other growths, for the U.S. fiber is recognized throughout Europe for its good quality, uniformity, and dependability. Many buyers indicated their willingness to pay slightly more for U.S. cotton because of these and other factors; even so, it was quite clear that prices of U.S. cotton would have to become competitive before a substantial portion of the former market might be regained.

The survey also brought out the fact that U.S. cotton is meeting increasing competition from other fibers in European markets. However, per capita consumption of textile products in Europe is still only a little over half of that in the United States. This situation emphasizes

Funds authorized and estimated quantities of cotton covered by P. L. 480 agreements as of Dec. 3, 1956

Country	Funds authorized ¹	Bales (Estimated)
	1,000 dollars	1,000 bales
Austria.....	6,226	42
Burma ²	18,100	125
Chile.....	5,260	35
Colombia.....	7,772	42
Ecuador.....	865	6
Finland.....	5,760	35
India ³	70,805	500
Indonesia ²	37,010	250
Israel.....	2,656	12
Italy.....	66,800	417
Japan.....	54,300	322
Korea.....	17,200	117
Netherlands....	275	2
Pakistan ²	30,232	182
Spain.....	33,254	200
Taiwan.....	5,256	38
Yugoslavia.....	30,900	185
Total	392,671	2,510

¹Includes 50 percent of ocean freight, except in a few instances. ²Provides for the expansion of consumption of textiles through processing in third countries. ³A 3-year program for fiscal years 1957, 1958, and 1959.

the need to stimulate the demand for cotton products. Work was done in Spain, Austria, and Sweden looking toward market development projects for cotton in these countries. Since this survey was completed, Spain and Austria have taken steps to initiate programs.

During the summer of 1956 a cotton market survey was made in the Far East--Japan, Korea, Formosa, Thailand, Burma, Indonesia, India, and Pakistan.

Japan is the largest foreign market for U.S. cotton. The textile industry has been rebuilt with new equipment since the war and is now operating on a highly efficient basis. There is every reason to believe that Japan can be retained as an important market. However, some important forces must not be overlooked. While the Japanese cotton industry is quite strong, there is a concerted effort to bring about a higher degree of self-sufficiency through the

use of domestic raw materials. This effort has resulted in increasing emphasis on the development of synthetic textiles.

The Japanese cotton industry, in cooperation with USDA and the National Cotton Council of America, is striving to build up the position of cotton textiles in Japan through a program of market research, sales promotion, and public relations. Recent sharp increases in Japanese consumption of cotton textiles, equivalent to 40,000 bales of cotton per month indicate that these efforts are paying off.

Japan is working hard to develop markets for textiles in Southeast Asia, in countries with only limited textile industries, such as Thailand, Burma, and Indonesia. If Japan's program is effective, it will offer an opportunity for expanding the future sales of U.S. raw cotton, and would help to divert Japanese textiles from markets in which they compete more directly with U.S. textiles.

In Korea, cotton is still the dominant textile fiber. There is talk of constructing a plant to manufacture rayon. However, the biggest problem in Korea in expanding the use of cotton is low consumer purchasing power.

The situation in India appears favorable for selling a substantial volume of U.S. cotton with a staple of 1-1/16" and longer, provided prices remain competitive.

Pakistan will need to continue purchasing good-grade medium staple cotton until the domestic production has been adjusted to include these qualities. However, it may be several years before such an adjustment is accomplished.

In 1955, FAS employed a cotton technologist to work with the textile industry, trade associations, and textile technologists in important foreign countries. The purpose of the technical liaison program is to expand the use of U.S. cotton through informational programs and demonstrations of fiber and spinning technology. The cotton textile industry in foreign countries is keenly interested in making the best use of new U.S. laboratory measurements of cotton fiber quality and evaluating the relationships of such measurements to processing performance.

In developing the technical program, FAS has worked with other USDA agencies and with textile laboratories and trade groups in the United States. Some of the important features and results of the program follow:

Twenty-three talks and demonstrations have been presented before meetings of cotton spinners associations, textile research groups, fiber technologists, and cotton manufacturers in nine Western European countries. In addition, the cotton technologist has held a large number of informal conferences with individual firms and textile association members to discuss cotton quality and processing problems.

The technologist participated in three international meetings on methods and problems in testing raw cotton quality.

Several countries have offered to cooperate in studies of how U.S. cotton is meeting the needs of spinners and weavers in Europe.

A study has been made of a limited number of samples of U.S. and foreign-grown cottons to determine their comparative qualities and spinning values. One phase of this study has been completed and published as a circular. (FC 7-56, entitled "Comparison of Some Fiber and Spinning Test Results of Egyptian and American Egyptian Cottons".) Plans are to continue the study of comparative qualities. More samples will be obtained at the point of consumption in the future.

The technical liaison program has been limited to Western Europe, but there is a need to expand the program to other areas of the world as soon as personnel and time are available.

Projects Using Foreign Currencies

The greatest opportunity for the future development of markets for U.S. cotton abroad lies in expanding per capita consumption. At present the world average per capita consumption is only about 6.8 pounds--about a fourth of the U.S. average:

	Per capita consumption (Pounds)
United States	25.7
Australia & New Zealand. .	10.4

	Per capita consumption (Pounds)
Western Europe	9.7
Eastern Europe	8.6
Central & South America .	6.4
Asia	4.2
Africa	3.3
World Average	6.8

If the world average could be raised to only half of the current U.S. level, cotton would be in deficit supply, unless production could be expanded appreciably. While there is a potential world market for enormously larger quantities of cotton and cotton products, it must be recognized that the expansion of consumption is a slow, long-time process. But the need to provide a growing market for U.S. cotton requires continued and expanded efforts to increase the use of cotton abroad.

To marshal the maximum available resources for expansion of cotton consumption, FAS has taken the cooperative approach in its market development projects. Under agreement with the National Cotton Council, the projects are carried on by industry organizations in foreign countries. The foreign industry organizations match the funds made available by FAS, and the Council not only provides technical direction and assistance to these organizations but also makes a financial contribution to the programs. In individual countries the programs are directed at expanding the use of all cotton, without regard to source, for apparel, household textiles, and industrial purposes. On an industry-wide basis, the promotion is aimed at broadening the market for cotton products, which will provide greater opportunity to sell U.S. cotton.

The first cotton market development projects were initiated early in the calendar year 1956. Currently, projects are in operation in France, Japan, and the Federal Republic of Germany, and additional ones are being developed for Austria, Spain, the Netherlands, Italy, and Switzerland. The programs carried on under this type of project are patterned after the market promotion programs that have been successfully conducted by

the Cotton Council in the United States for the past 15 years. In addition to the individual country programs, the Council, in a supplementary program, is utilizing the Maid of Cotton for appearances and special demonstrations as a means of stimulating trade interest and consumer consciousness of cotton products and their uses in better living.

The approach to developing new markets for cotton is on a long-time basis. It will take several years of continuous market promotion and public relations efforts to achieve maximum results in terms of increased consumption of cotton products. The cooperative effort, with the interest and financial support of the processing industry and retail stores within the individual countries, promises to yield increasing results from year to year.

Preliminary reports on the programs now under way in Japan and France indicate that good progress is being made. The Japanese project went into operation last spring and was started off with a National Cotton Week featuring style shows, cotton design contests, special merchandising programs, newspaper advertising, and participation by both retail and wholesale dry goods stores. The Miss Cotton contest attracted wide attention and was a feature throughout the program. The first report is that cotton goods sales during the spring period were up about 20 percent above those of the preceding year. The program will be continued and expanded. The French program is gaining momentum and is expected to yield results similar to those being obtained in Japan. The project in the Federal Republic of Germany has just started and gives promise of moving rapidly.

During the summer of 1956, the National Cotton Council sent the Maid of Cotton to Europe for a tour of most of the countries of Western Europe. She participated in 14 fashion shows, attended 16 special functions to demonstrate cotton, appeared on radio and television programs, and made movie films for additional television use. Her activities were conducted as an integral part of the European cotton market development

program in which the Council is cooperating with FAS. The Maid's appearances result in a vast amount of publicity that creates an increased demand for cotton products.

Looking ahead to the initiation of additional cotton market development projects, it is to be expected that the total effect will be greatly advanced. Spreading the program to other Western European countries will increase the momentum and will have a cumulative effect as a market stimulant. Presently, the most promising areas for immediate results are in Europe and in Japan. As time passes, there should, however, be more opportunities to capitalize on the potential market for cotton products in many other countries of the world.

International Trade Fairs

In 1955 and 1956 cotton and cotton textile products were featured at trade fairs in Bogotá, Colombia; Vienna, Austria; Osaka, Japan; and Barcelona, Spain. Exhibits and cotton fashion shows were sponsored at these fairs by FAS in cooperation with the National Cotton Council of America, U.S. Information Agency, and the U.S. Department of Commerce.

At each of these fairs cotton cloth, dresses, and other apparel and accessories were exhibited. The major feature, however, was the cotton style shows, which attracted the attention of thousands of persons to the value and use of cotton.

The National Cotton Council sent the Maid of Cotton to Bogotá and Barcelona to participate in the style shows. Her appearance was a major attraction and provided the basis for a tremendous advertising and promotional program by the local industry and retail stores. Following the Bogotá fair, the Colombian Government and the cotton interests of that country inaugurated a cotton market promotional program that has been quite successful. The Barcelona fair was the nucleus of a nationwide cotton-week program in Spain. The experience at Barcelona stimulated interest in developing a full-fledged promotion program in Spain, which is expected to be

put into operation within the next few months.

The cotton display and exhibits at Osaka were supplemented by style shows and appearances of Japan's Miss Cotton.

Plans are under way for continuing and expanding cotton textile exhibits and style shows at future international trade fairs.

Private Trade Activities

A large number of U.S. cotton merchants and several farmer cooperatives are engaged in the cotton export business. Most of them have long-established contacts in all of the important cotton consuming countries; and from time to time, they send their representatives abroad to evaluate market conditions and to promote the sale of cotton.

The National Cotton Council is the central agency of the cotton industry through which organized foreign cotton marketing programs are handled. The American Cotton Shippers Association and the American Cotton Manufacturers Institute are keenly interested in the foreign cotton marketing programs of FAS. During recent years the cotton industry organizations have cooperated closely with FAS in surveying and appraising cotton export market problems.

For a number of years the National Cotton Council has maintained a foreign trade division. The objective is to work with importers and processors of foreign cotton to develop and maintain the market for U.S. cotton abroad. A number of market surveys and studies of cotton production have been made by the Council. FAS has cooperated in most of them.

Currently the Council is working with the major cotton producing countries that are members of the International Cotton Advisory Committee on the development of an international organization that would have the sole objective of expanding the consumption of cotton products on a world basis. In the spring of 1956 the Council took leadership in supporting U.S. participation in the International Standards Organization at Blackpool, England, which was also attended by a cotton technologist from FAS.

Significant progress was made toward getting more uniform methods of cotton quality testing. Industry and government teamed up in efforts to bring about improvements in cotton testing methods.

The American cotton industry recently formed an organization for the specific purpose of developing and promoting new and expanded uses for cotton in foreign countries. The title of the organization is Cotton Council International, and it will assume the responsibilities of the National Cotton Council in carrying out these foreign operations.

Market Information and Services

Cotton reports are received regularly from U.S. representatives in nearly all foreign countries and synopses of these reports are published weekly in Foreign Crops and Markets. From 15 to 20 world summaries covering production, trade, stocks, consumption, and supply and demand are published separately each year. Special reports on individual countries are published and made available to the cotton industry when new developments warrant.

Additional reports are made at irregular intervals on current marketing developments, research studies, export cotton sales under special programs, such as are conducted under Title I, P. L. 480, and other aspects of U.S. foreign trade in cotton. Feature articles on new developments and activities in foreign cotton production and marketing are printed in Foreign Agriculture, and in other publications issued by FAS.

FAS also makes foreign cotton market information available for publication in the U.S.D.A. Cotton Situation, Market News reports, other Federal Government publications, cotton magazines, newspapers, and trade reports, and in magazines and bulletins of international organizations.

DAIRY AND POULTRY PRODUCTS

Export Situation—1955-56

Shipments abroad of both dairy and poultry products have been rising in the past few years. Most exports of poultry products have been for dollars, and most

Total exports of cotton from the United States, dollar exports, and estimated exports under U. S. programs, fiscal years, 1949-56

[In thousands of bales]

Year ending June 30	Total exports ¹	Dollar exports ²	U. S. programs	
			Total ³	Title I P. L. 480
1949..	4,674	2,039	42,635	-
1950..	5,726	2,313	3,413	-
1951..	4,246	2,296	1,950	-
1952..	5,600	4,757	843	-
1953..	2,982	1,893	1,089	-
1954..	3,648	2,660	988	-
1955..	3,614	2,415	1,199	58
1956..	2,140	1,109	1,030	468

¹Running bales. ²Includes regular dollar sales, loans by Export-Import Bank, revolving fund loans of U. S. Departments of Agriculture and Defense, and subsidy payments to exporters. ³Includes export sales for local currencies under Title I of P. L. 480 and Sections 550 and 402 of the Mutual Security Act, exports under Title II of P. L. 480, and exports under the Army Civilian Relief Program. ⁴Includes data on mutual security program for 15 months - April 1948 through June 1949.

dairy products have moved under government programs.

Largely as a result of donations from price support stocks, 5.4 percent of total U.S. milk production went abroad in 1955. This figure compares with 0.2 percent in 1939, 0.4 percent in 1940, and 5.6 percent in the war year 1944 when the United States was called on to supply food to its allies and war-devastated countries.

The U.S. dairy industry has an opportunity to further widen its market abroad. Per capita availability and consumption of dairy products in countries over the world, other than principal dairy countries, is low. In many areas, diets are deficient in protein; and milk and dairy products are one of the best food sources of high-quality protein.

To increase the quantity of these essential food elements, U.S. dairy products have been sold for local currencies under P. L. 480 programs; have been

provided under government-to-government sales at reduced prices; and have been made available to welfare organizations as donations for distribution in foreign lands. By these means, U.S. dairy products have been introduced all over the world. Many people have tasted dairy products for the first time. The consumer base has been greatly broadened, and it is hoped that eventual customers for dairy products are being developed. At present, the main handicap to increasing commercial sales of dairy products overseas is the higher level of prices in the United States than in most major exporting and importing countries.

The outlook for dairy exports in 1957 is favorable, but exports may be down somewhat from the high level established for 1955 and maintained in 1956. Total exports of dairy products, including donations under government programs, in these years are shown on table below.

Most butter shipments have been under government programs, mainly donations. Of the total exports of butter in 1955, only 3 percent were strictly commercial. During the 5-year period, 1951-55, commercial exports of butter did not exceed 12 percent of total overseas shipments, except in 1952 when relief shipments were suspended.

Increased exports of cheese during 1955 were due largely to stepped-up shipments of donated goods, but commercial export sales were 30 percent above the

1954 period; and 15.5 percent of all exports were sold for dollars in 1955, including the government-to-government sales.

Government programs, particularly donations, have also played the major role in maintaining and expanding nonfat dry milk exports. Commercial shipments of nonfat dry milk, with the exception of 1952, have never exceeded 19 percent of total exports in recent years. Government-to-government sales at reduced prices have been substantial. Most export sales of dried whole and evaporated milk, on the other hand, have been for dollars whereas almost all of the 1956 sales of condensed milk were financed from ICA funds.

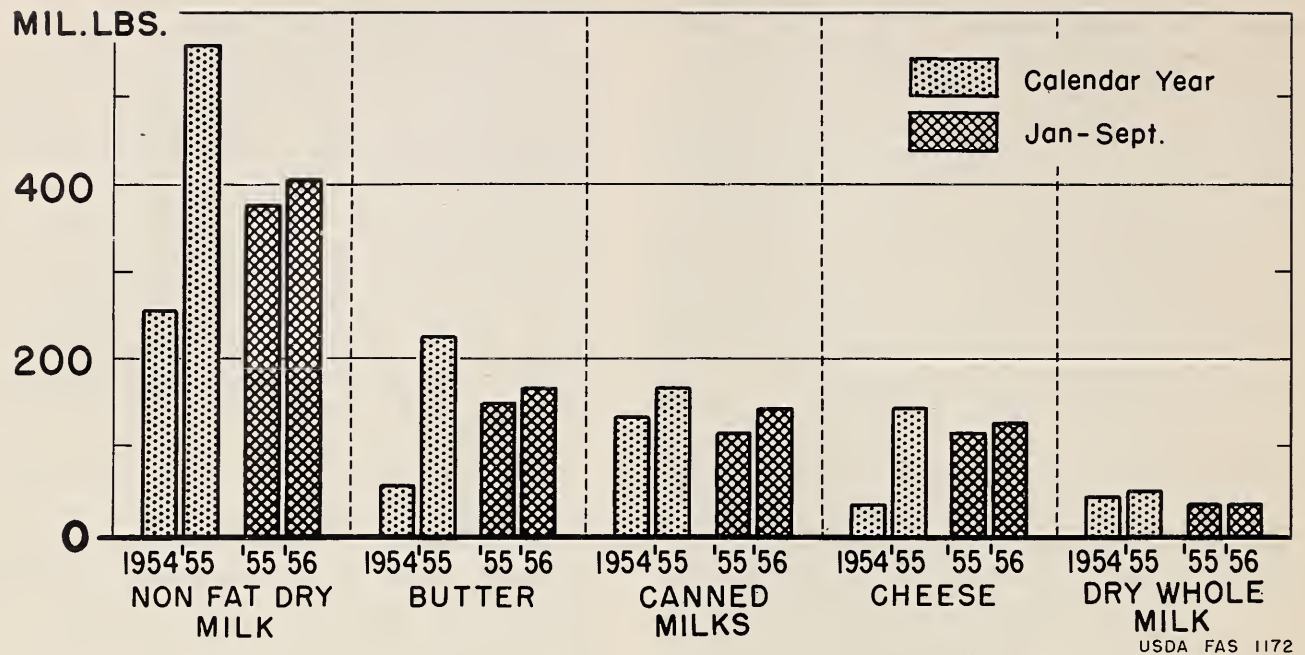
The increase in commercial exports of U.S. dairy products was achieved despite many difficulties confronting exporters. U.S. prices in many cases were higher than those quoted by competitors. In some countries, higher priority was given to U.S. manufactured goods than to dairy products in the allocation of dollar exchange. Where this kind of exchange allocation occurs, it tends to overcome relative prices, product quality, and other factors that under free market conditions could result in sales of U.S. dairy products for dollars. Few currencies were freely convertible. Import duties and other charges, in some instances, resulted in imports being practically prohibitive.

[In millions of pounds]

	Butter	Cheese	Nonfat dry milk	Dried whole milk	Evaporated milk	Condensed milk
First 9 months:						
1956.....	¹ 162	¹ 129	405	33	121	26
1955.....	¹ 150	¹ 116	378	33	115	3
Calendar year:						
1955.....	226	148	561	46	155	8
1954.....	54	34	257	42	131	1

¹Of which exports on commercial terms and government-to-government sales at nominal prices were: Butter: 1956, 40 million pounds; 1955, 13 million pounds. Cheese: 1956, 36 million pounds; 1955, 13 million pounds.

U. S. exports of dairy products

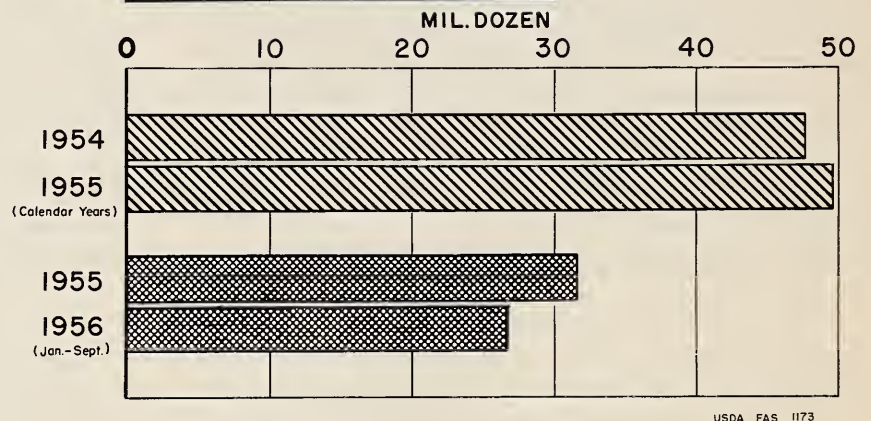


During 1955, total exports of shell eggs were approximately 50 million dozen, almost 2 million dozen over those of 1954. During the first 9 months of 1956, they were almost 5 million dozen less than the approximately 32 million dozen during the same period of 1955. This reduction is largely accounted for by a decrease in takings by the Mexican Government.

Exports of fresh and frozen chickens and capons of 10.8 million pounds in 1955, on the other hand, were almost double the 1954 figure. The first 9 months of 1956 shows an even greater increase over the same period of 1955. Exports have risen to 14.9 million, more than doubling the volume in that part of 1955.

Exports of other fresh and frozen poultry and game have increased also, though at a lesser rate. Exports of slightly more than 8 million pounds in the calendar year 1954 climbed to more than 14 million in 1955, and the figure for

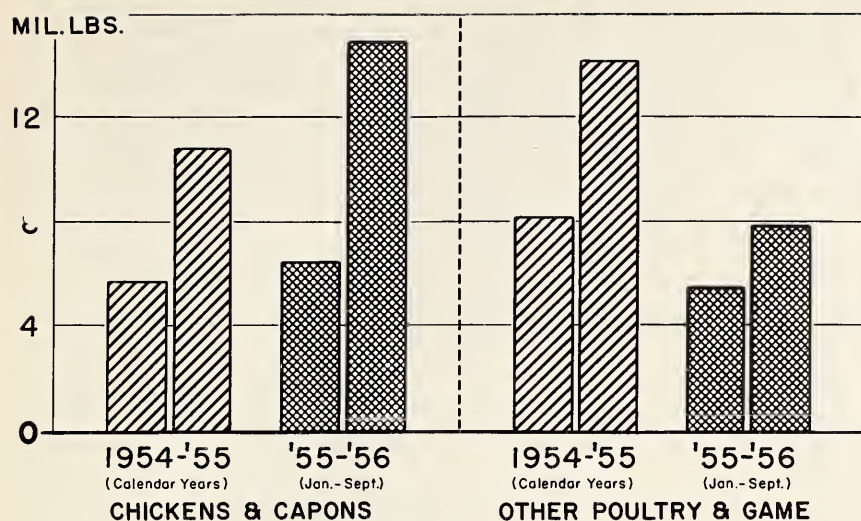
U. S. exports of shell eggs



the first 9 months of 1956 rose less noticeably, to 7.8 million.

Except for some sales of frozen poultry to West Germany, shell eggs to Spain, and a small amount of canned poultry to the United Kingdom, all of the exports of U.S. poultry products have been for dollars. It is believed that exports will continue the rising trend they have shown for the last few years, owing to (1) relatively low prices in the United States; (2) rising income levels in foreign

U.S. exports of poultry meat



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countries; (3) the inability of foreign production to increase as fast as jobs and income/rise; (4) FAS activities in increasing exports for dollars and under P. L. 480, and (5) the U.S. poultry industry's participation in promoting the sale and consumption of U.S. egg and poultry products in the importing countries.

U.S. Trade Programs

CCC Sales At Reduced Prices.--During the past year, renewed efforts were made to move CCC stocks of dairy products into export at reduced prices. The stepped-up program met with considerable success as these sales of CCC butter and cheese for export at reduced prices in 1955 show:

Butter	1,000 pounds
January - November	3,735
December	10,684
Total	14,419

Cheese	1,000 pounds
January - November	1,174
December	3,188
Total	4,362

The butter sold by CCC and shipped in January-November amounted to more than half of the commercial exports of butter during calendar year 1955, and the cheese to more than a fifth.

Significantly, under this program the United States moved more cheese into the United Kingdom, the world's main importer of cheese, than in any of the last 4 years. At the year's end the United States had shipped 460,000 pounds to the United Kingdom--most of it under reduced price sales--compared to only 55,000 pounds during 1954. Furthermore, the sales of cheese to the United Kingdom under this program have continued during 1956; during the first 6 months, export sales to the United Kingdom totaled 2,750,000 pounds.

No poultry or eggs are acquired by CCC.

Sales for Foreign Currencies.--From the beginning of the program, through December 3, 1956, agreements for foreign currency sales signed under Title I, P. L. 480 include dairy products amounting to \$28.7 million. The quantities of dairy products included in these agreements are: Condensed milk, 6.2 million pounds; dry whole milk, 3.8 million pounds; nonfat dry milk, 47.4 million pounds; evaporated milk, 14.7 million pounds; butter, 17.1 million pounds; cheese, 6.9 million pounds; butter oil and ghee, 19.5 million pounds; and whey 2.0 million pounds.

The value of dairy products by country under Title I, P. L. 480 agreements signed as of December 3, 1956 are:

	Million dollars
Burma	2.0
Chile	1.0
China (Taiwan).	1.5
Colombia . . . . .	.7
Finland . . . . .	.5
Greece	3.6
India	3.5
Iran	6.0
Israel	5.8
Korea	1.0
Pakistan	2.5
Paraguay . . . . .	.4
Peru . . . . .	.2

For poultry products, foreign currency

arrangements have been made with the Federal Republic of Germany. More than \$1 million worth of poultry meat has been or will be sold under this agreement. Whole eviscerated chicken was the major item, followed by turkeys and ducks.

Government Relief Grants.--Under Title II, P. L. 480 cumulative authorizations were as follows:

	Quantity (1,000 pounds)	Value (1,000 dollars)
Butter	27,028	18,745
Butter oil	2,350	2,227
Cheese	40,791	18,982
Nonfat dry milk . . .	38,914	8,168

Countries to which dairy products were shipped include Spain, Austria, Greece, Yugoslavia, Pakistan, Haiti, and Nepal.

Donations Through Organizations.--Shipments of dairy products under Section 416 of the Agricultural Act of 1954, during fiscal year 1956, were as follows: Butter and butter oil, 197.4 million pounds, cheese, 138.5 million pounds, and nonfat dry milk, 411.2 million pounds. These exports were nearly double the exports of the preceding year.

Foreign Aid Financing.--During fiscal year 1956, dairy products purchase authorizations under the Mutual Security Act totaled \$25,552,000--twice the figure for the preceding year. Procurement of the largest amount, \$15.5 million, was authorized for the Philippine Republic. Dairy products going to Vietnam amounted to \$7.5 million and to Cambodia, \$1.4 million. The principal dairy products under these authorizations are evaporated and condensed milk.

In 1956, Section 402 financing included \$250,000 worth of canned poultry to the United Kingdom and \$2,500,000 worth of shell eggs to Spain.

Reducing Foreign Trade Barriers

The United States has sought to obtain relaxation of trade and currency restrictions that limit imports from this country. It has been successful in Iran, for instance, which had rigorous restrictions, both in terms of products and

currency, on the importations of animal fats. In negotiations on a Title I, P. L. 480 program the United States was able to bring about the relaxation of these restrictions and now the importation of butter and butter oil is allowed. This along with the relaxation of currency restrictions will permit the commercial export sales of butter, butter oil, and ghee to Iran.

Also in Colombia an improvement in import regulations for baby chicks has been obtained, and recently a U.S. Government-industry team was in Colombia in an effort to obtain removal of other restrictions. In Cuba a 5-cent import tax on baby chicks has been removed.

Market Surveys and Analysis

In 1955 and 1956, FAS marketing specialists surveyed business opportunities for recombined milk and dairy products in South and Central American and certain Far and Middle Eastern countries. In these areas, per capita availability of milk and milk products is low according to U.S. standards, and business possibilities were found to exist in several countries.

As a result of these surveys, representatives of the U.S. dairy industry have shown active interest in the areas and the possibility of the culmination of joint business ventures between U.S. and foreign interests are likely. In fact, two major U.S. dairy companies are establishing business operations utilizing nonfat dry milk and anhydrous milk fat in recombining operations overseas, and other companies are interested in similar operations.

Recombining to supplement the normal milk supply in Central and South American countries continues to offer opportunities. In Colombia, as a result of a demonstration of recombining at the International Trade Fair, SENDAS (a countrywide relief and welfare organization) purchased a recombining plant unit, and plans to provide recombined milk to those who cannot pay the retail price for the limited quantity of milk available.

In India and Pakistan an FAS specialist studied local procedures and methods

used to produce ghee. The basic information obtained was made available to the U.S. dairy industry. As a result of the cooperative effort between USDA and the U.S. dairy industry, an American-made ghee acceptable to Middle and Far East consumers was produced. This product was included in foreign currency sales under P. L. 480 agreements with Pakistan and Iran. In addition, a dollar sale was made to Iran.

In Central America another marketing specialist studied the farm manufacture of "queso blanco" cheese to determine whether the procedures could be used by U.S. manufacturers. No scientific information was available for such factors as time, temperature, and bacterial cultures. Therefore, the cheese was produced experimentally in a Central American dairy plant, using U.S. nonfat dry milk and anhydrous milk fat. The experiment was successful, and factory procedures were established, making it possible for the cheese to be made in Central and South American factories with U.S. ingredients or to be made by U.S. companies for export to the area.

In Panama the manufacture of ice cream, utilizing U.S. nonfat dry milk and anhydrous milk fat, was demonstrated. As a result, orders were placed here for supplying the ingredients for manufacturing recombined ice cream.

In Costa Rica demonstrations were conducted on the use of U.S. anhydrous milk fat in the manufacture of butter for distribution to schools. In Central America a blending of U.S. cheddar cheese and the local cheese to produce a highly acceptable processed cheese was demonstrated.

Efforts have also been made to expand the exports of U.S. dairy cattle. Meetings have been held with representatives of the five purebred dairy cattle associations and the Purebred Dairy Cattle Association to establish a cooperative program.

For poultry the potential dollar sales and the desirability of a P. L. 480 foreign currency market development program was explored in France, Spain, Switzerland, Germany, and the United Kingdom. As a result, Swiss importers procured

during the first 6 months of 1956, 736,900 pounds of U.S. poultry meat compared to 41,000 pounds for all of 1955. Total U.S. exports to Switzerland for 1956 are estimated at 1,300,000 pounds.

Projects Using Foreign Currencies

The first phase of a project to develop new markets in Colombia, and extend existing markets for U.S. milk products on a mutually benefiting basis was set up and completed by FAS in cooperation with Dairy Society International (DSI) in 1956. This phase was a market analysis survey designed to estimate the supplies and current demands for dairy products in Colombia, made by a team of three dairy technicians supplied by DSI. In the second phase, results of the survey were used as a basis for a comprehensive project on which work has been started.

Colombia has some fine dairy herds, but it is unlikely that the country can become self-sufficient in dairy products. Moreover, transportation of fluid milk between producing areas and certain large centers of population is difficult. In addition, a large part of the population has insufficient income to buy whole milk. Low-cost, low-fat milk products would be a desirable addition to the diets of these people. Sanitation and nutritional education in the country would therefore lead to greater consumption of dried milk and provide additional markets for U.S. supplies.

Additional dairy market development projects using foreign currencies have been undertaken, with approval of one for Thailand and two proposed for Chile and Burma. The Thai project with DSI as cooperator combines U.S. techniques with a nutrition education program emphasizing the importance of a well-rounded diet with particular stress on the inclusion of dairy products in the Thai diet. The dairy products for this project are being supplied by a new dairy recombining plant that is in operation in Bangkok.

A program agreement has also been signed with industry representatives for market development work on poultry, and promotion activities are under way in Germany. It will provide detailed

surveys in several countries to determine poultry marketing opportunities. Where preliminary surveys indicate a potential market, promotion work will be instituted.

International Trade Fairs

With Dairy Society International, FAS exhibited dairy recombining equipment at the international fairs held at Bogotá, Colombia; Ciudad Trujillo, Dominican Republic; Osaka, Japan; Barcelona, Spain; Salonika, Greece; and Zagreb, Yugoslavia. The equipment produced recombined milk and ice cream, and was demonstrated to government and industry officials. Dairy exhibits were also displayed at the Rome supermarket exhibit and at the London Food Fair where samples of cheese and nonfat dry milk were distributed.

Totals of 260,000 samples of ice cream, 270,000 samples of recombined milk, and 814,000 samples of American Cheddar cheese and low-heat spray process nonfat dry milk were given to the public visiting the exhibits. At three of the fairs, the milk and ice cream were produced at the exhibit. The dairy display has been a major attraction in the U.S. agricultural exhibit, and has served to show well that people of other countries like U.S. dairy products. It has also shown the local industry how such recombined products could supplement the normal milk supply. A total of 236,800 pounds of nonfat dry milk and 57,284 pounds of butter was made available for use in the fairs.

The trade fairs have been a most effective means of demonstrating the great potential market for dairy products and the unqualified acceptance of all peoples of high-quality dairy products.

Poultry exhibits have been held at the Barcelona fair, Rome supermarket exhibit, and the London fair. The Barcelona exhibit created interest in U.S. poultry products, and a detailed survey of poultry marketing opportunities in Spain is planned. Interest was also developed as a result of the exhibit in Rome. A follow-up meeting was held there with leading Italian importers and government

officials to determine how to increase U.S. poultry product sales to Italy.

Private Trade Activities

Dairy Society International has organized a Market Frontier Committee to make sure that the dairy industry is aware of the opportunities that exist in developing markets for dairy products overseas. In addition, one large dairy corporation is engaged in operations in the Far East and is expanding in this field. Another has shown interest in developing foreign markets and has made surveys overseas. Farm organizations in two major dairy States have indicated that they may cooperate in overseas surveys and market development projects.

The U.S. poultry industry has organized the International Trade and Development Committee. Under its auspices, a trade representative attended the U.S. agricultural attaché conference in Caracas and has made a trip to Europe where an office has been established to initiate market development work in Germany. An industry representative has been active in making export surveys in South America, the Mediterranean area, and northern Europe to determine potential poultry marketing opportunities.

Market Information and Services

FAS maintains continuing analyses of world dairy and poultry developments. It publishes reports on world production, on the utilization of milk, and on the manufacture and the foreign trade of dairy products. It also publishes reports of dairy and poultry marketing specialists. Current information on world dairy and poultry conditions and trade prospects appear in the FAS weekly, Foreign Crops and Markets.

Special studies and reports in March 1955 of Foreign Agriculture Report No. 84, "Recombined Milk." This bulletin explained the role of recombined milk and dairy products as a supplemental or total supply of these products and contained basic information on ingredients, equipment, and manufacturing procedures. In March 1956, "World Import Duties on Dairy Products" was published

as Foreign Agriculture Report No. 87. It analyzed the effect of import charges of 150 countries on dairy products of the United States. Also, in March 1956, FAS published a definitive study on world trade in dairy products in 1953-54. In this study, it analyzed the trade with primary dairy countries from the standpoint of the areas in which trade is concentrated. A similar study for 1955 trade is in process.

A large number of statements and a wide variety of data on market opportunities for U.S. dairy and poultry products in foreign countries have been furnished to various agencies, farm groups, and the dairy trade.

FATS, OILS, AND OILSEEDS

Export Situation—1955-56

Exports of the major oilseeds and vegetable oils have increased substantially in the last 3 fiscal years. Achieving a record level in 1955-56, exports of soybeans, edible oils, and flaxseed, and linseed oil reached a total value of \$390 million, nearly twice the value of exports in 1950-51. They were substantially larger than they had been the year before, too, mainly because of (1) shortage

of olive oil in Mediterranean Basin countries and (2) deficit supplies of sunflower seed and linseed oils in Argentina, normally a major exporter.

Exports of soybeans and edible oils, comprising over four-fifths of the usual value of U.S. oilseed and oil exports, soared to \$337 million in 1955-56. They were 85 percent higher than in 1950-51, and exceeded the record of a year earlier by \$105 million. Shipments of flaxseed and linseed oil in 1955-56, valued at \$53 million, reached a postwar record, and were more than three times the value of exports in 1950-51. A shortage of exportable supplies from Argentina enabled the U.S. trade to export large quantities of both flaxseed and oil at prices above the U.S. support level. (See tables on pages 24 and 25.)

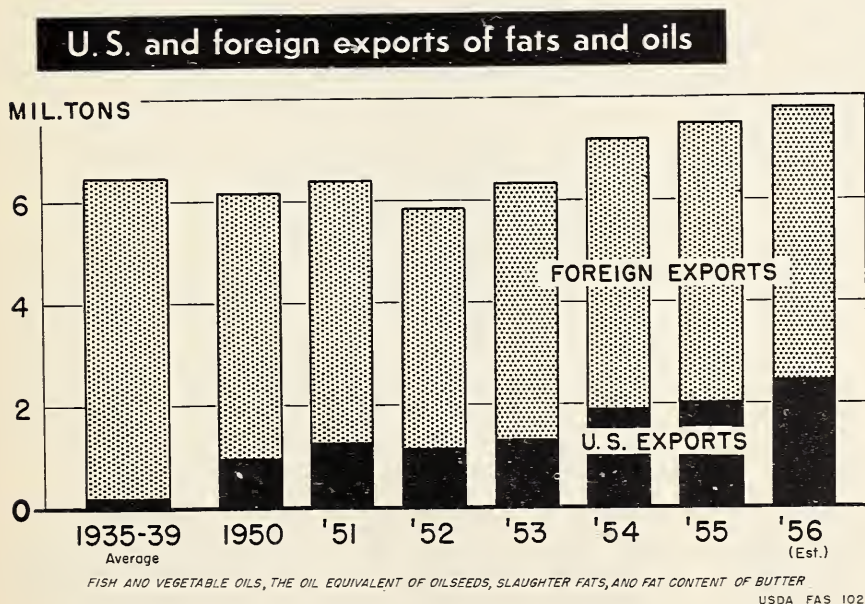
Sales for dollars plus exports under Title I, P. L. 480 are expected to result in a continued heavy export movement of edible oils and oilseeds through most of 1957 even though there will be some increase in olive oil output in the Mediterranean area and a sharp increase in the Argentine sunflower crop. However, the size of annual oilseed crops in Africa, India, and China-Manchuria, and the export policies of the respective

governments for vegetable oils and oilseeds, will be important in determining the actual level of U.S. exports.

Prospects for exports of flaxseed and linseed oil from the 1956 crop, at or above domestic prices, are not good because Canada's record 1956 flaxseed crop will provide a large exportable supply and Argentina's crop is expected to be the largest in several years. However, if present international tensions continue, demand for stock building could result in more U.S. exports than the small amounts which could otherwise be expected.

U.S. Trade Programs

The following government programs have helped expand



exports of U.S. fats, oils, and oilseeds:

Sales for Foreign Currencies.--During fiscal 1955, agreements were signed under Title I, Public Law 480 with 8 countries providing \$22.3 million for vegetable oils (equivalent to about 140 million pounds). The program was greatly expanded in fiscal 1956 when agreements were concluded with 14 countries providing \$128.5 million for the purchase of about 765 million pounds of vegetable oils. Deficits in supplies in Greece, Italy, Spain, and Turkey, mainly reflecting recent short olive crops, provided the basis for the edible oil programs with these countries. Argentina and other Latin American countries that usually import oil from Argentina were brought into the program for edible oils primarily because of the small Argentine sunflower crop.

Shipments of cottonseed oil and soybean oil under Title I, P. L. 480 during fiscal 1956 amounted to 394 million pounds. There remained to be shipped on July 1, 1956, approximately 300 million pounds of cottonseed oil and soybean oil against agreements already negotiated.

Per capita consumption of edible fats, and oils in Latin America, the Middle East, and some areas of Europe is still far below that in such countries as the United States, United Kingdom, and Germany. It is expected, however, that, with additional supplies available at reasonable prices, consumption will increase in these areas. The market value and the estimated quantity of vegetable oils included in agreements made in fiscal 1956 were as follows:

	Value (Million dollars)	Quantity (Metric tons)
<u>Edible vegetable</u>		
<u>oils:</u>		
Argentina	24.7	80,000
Colombia	1.5	3,500
<u>Cottonseed and</u>		
<u>soybean oils:</u>		
Chile	12.5	31,000
Ecuador	1.5	5,000
Greece	11.9	29,700
Iran	1.4	2,600
Israel	2.2	6,000

Value (Million dollars)	Quantity (Metric tons)
-------------------------------	------------------------------

Cottonseed and
soybean oils--
continued:

Italy	10.0	30,180
Korea	3.0	4,400
Pakistan	2.4	7,000
Paraguay . . . . .	.3	825
Peru	3.0	3,750
Spain	60.0	133,000
Turkey	4.0	9,500

Linseed oil:

Spain . . . . .	.1	240
Total	128.5	346,695

CCC Sales At Reduced Prices.--CCC sold 4.4 million bushels of soybeans, acquired under price support operations for the 1954 crop, for export at reduced prices during fiscal 1955-56.

Foreign Aid Financing.--Substantial quantities of oils and oilseeds have been exported under Section 402, Mutual Security Act financing. The following authorizations were made during the last 2 fiscal years:

Oilseeds and vegetable oils, edible and industrial: Value of U. S. exports, average 1935-39, annual 1951-56

[In millions of dollars]

Year ¹	Edible		Industrial		Total
	Soy-beans	Oils ²	Flax-seed	Linseed oil	
1935-39.	4.7	1.1	(³)	0.1	5.9
1951....	81.3	100.9	11.2	4.7	198.1
1952....	49.4	100.2	17.6	4.8	172.0
1953....	93.0	29.0	.9	.7	123.6
1954....	126.2	70.4	5.5	24.2	226.3
1955....	145.5	86.0	21.4	22.9	275.8
1956....	178.6	158.3	37.1	15.9	389.9

¹1935-39, calendar years; others fiscal years. ²Includes cottonseed, soybean, and peanut oils plus the oil equivalent of cottonseed and peanuts. ³Not separately classified. The United States was a major net importer in this period.

Oilseeds and vegetable oils, edible and industrial: U. S. exports, average 1935-39, annual 1951-56

Year ¹	Edible		Industrial	
	Soybeans	Oils ²	Flaxseed	Linseed oil
	Million bushels	Million pounds	Million bushels	Million pounds
1935-39	4.8	144.6	(³)	1.3
1951...	26.9	476.6	2.9	26.1
1952...	16.0	557.7	4.2	28.3
1953...	30.4	190.7	.2	3.1
1954	41.5	480.4	2.4	302.5
1955	50.6	671.0	8.2	317.6
1956	70.8	1,028.9	10.4	138.2

¹1935-39 calendar years; others, fiscal years. ²Includes cottonseed, soybean, and peanut oils plus the oil equivalent of cottonseed and peanuts. ³Not separately classified. The United States was a major net importer in this period.

1956

Edible vegetable oils	14.3	54,100
Soybeans	9.8	93,250

Total 24.1

Other Programs.--Under the following authorities, CCC programmed cottonseed oil in fiscal years 1955 and 1956:

	Authorized (Million dollars)	Shipped (Million pounds)
Government Relief Grants (Title II),		

P. L. 480:

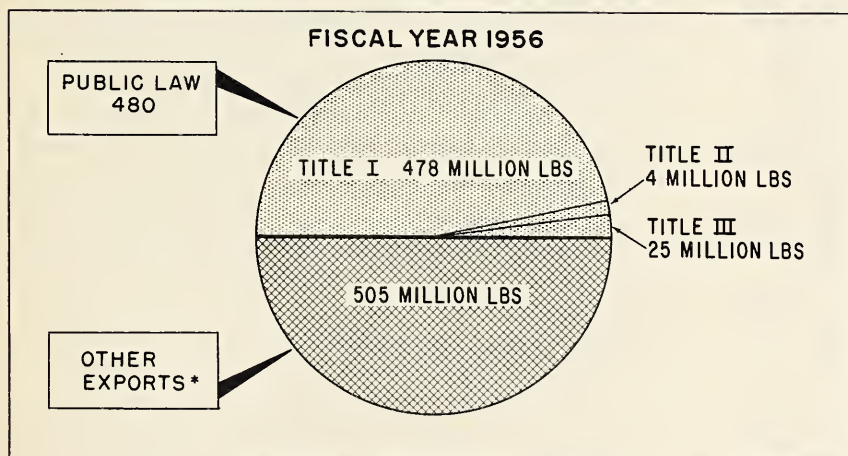
1955	8.5	37	14
1956	1.1	4	27
Donations Through Organizations (Sec. 416):			
1955	15.5	64	(¹)
1956	1.4	7	(¹)

Barter:

1955	(¹)	20	20
1956	(¹)	15	15

¹ Not available.

One half U.S. soybean and cottonseed oils exported under P. L. 480



* INCLUDES EXPORTS UNDER MUTUAL SECURITY PROGRAM

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	Value (Million dollars)	Quantity (Metric tons)
1955		
Cottonseed oil	7.8	30,295
Soybeans	14.9	122,454
Total	22.7	

Reducing Foreign Trade Barriers

Impediments restricting foreign imports of U.S. oilseeds and vegetable oils have been relatively unimportant. However, one of those was removed when Western Germany liberalized imports of soybeans in May 1955. This liberalization resulted from several years' efforts to facilitate marketing in Germany, a major importer of oilseeds, fats, and oils.

Market Surveys and Analysis

A fats and oils marketing specialist conducted a soybean marketing investigation in Japan. It was found that the demand for soybeans is potentially much larger than the supply being produced and imported. It was also found that excessive amounts of foreign material (Including broken and damaged beans) in U.S. soybean shipments were

hurting the U.S. market in Japan.

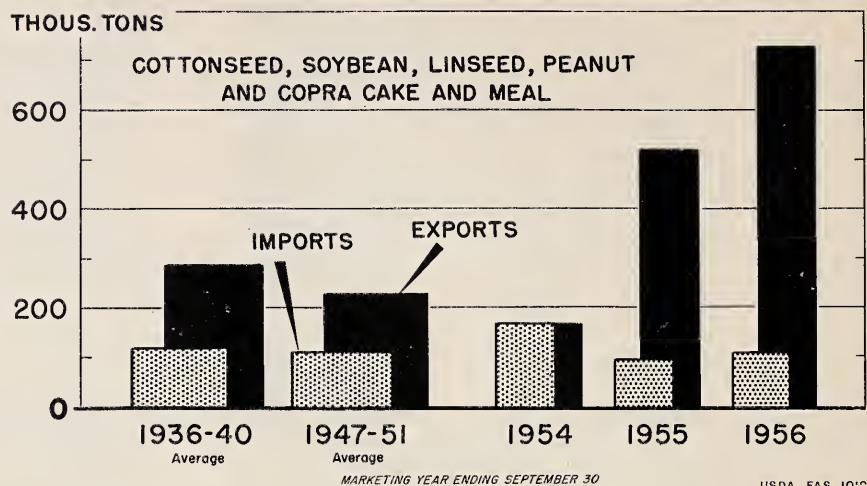
To promote increased U.S. exports into the Japanese market the specialist made preliminary arrangements with Japanese trade groups to cooperate with the American Soybean Association in market development activities.

In view of the Japanese complaints regarding quality, a member of the Board of Grain Supervisors of the USDA Agricultural Marketing Service was also sent to Japan by FAS to observe the methods of sampling and grading U.S. soybeans on arrival. He examined the numerous complaints and the differences between the certificates of grading issued by AMS on loading and the results obtained by sampling and grading in Japan. He explained U.S. systems and methods and suggested changes to improve both loading in the United States and methods of sampling in Japan.

A marketing specialist participated in a similar project in Europe. Methods of sampling and grading U.S. soybeans were observed at point of shipment in the United States under U.S. standards and grades; when these soybeans arrived in Europe, sampling and grading practices there were compared with U.S. methods. Besides the marketing specialist, the group included two cargo surveyors from Europe and a member of the Board of Grain Supervisors of AMS.

This project, like that for Japan, cleared up in about 2 months' work some of the misunderstanding involved in the movement of soybeans from the United States to Europe. Particularly impressive was the desire of the people in grading laboratories to learn U.S. official grading techniques. Ideas were exchanged and discussions were held on all phases of soybean production, harvesting, marketing, transportation, storage, processing, sampling, grading, and standardization. It is believed that while sampling and grading methods on opposite sides

U. S. exports and imports of oilcake and meal



of the Atlantic are not directly comparable, the findings of this project will result in increased trade and improved relations between the soybean trade in Europe and the United States. Results of the project appear in FAS M-8 "Study of Sampling and Grading of U.S. Soybeans for Export."

When U.S. standards for soybeans were under review, FAS presented to AMS the ideas of foreign buyers with regard to the quality of U.S. soybeans compared with Chinese/Manchurian beans. The standards for soybeans were revised and shipments under the new standards have improved in quality.

Following these investigations and activities the Japanese American Soybean Institute reported that the foreign material content of U.S. soybeans on arrival in Japan was reduced from an average of 3.40 percent in 1954 to 1.49 percent in 1955. Damaged beans were reduced from an average of 1.39 percent in 1954 to 0.49 percent in 1955. It is likely that even greater changes from the 1954 average will be realized in 1956.

By agreement with the Fish and Wildlife Service of the U.S. Department of the Interior, another marketing specialist studied both competitive conditions and market development for U.S. fish oils in the United Kingdom, France, Germany, Denmark, Sweden, Norway, Netherlands, and Belgium. The study

indicated, among other things, that in Europe approximately 80 percent of the fish oil is used for edible purposes; in the United States, on the other hand, fish oil is used almost entirely for industrial purposes. Also, the study indicated that Europe should continue as a good market outlet for U.S. fish oil. Individual country reports were forwarded to the Fish and Wildlife Service and, later, distributed to the trade.

Projects Using Foreign Currencies

A market development project in Japan was entered into for soybeans with the American Soybean Association in 1956. Under the project, studies are being undertaken to determine how U.S. soybeans received in Japan compare in quality with those from other areas. Also included are demonstrations to manufacturers on the suitability of U.S. soybeans for use in food and food products.

Under another project, conducted through the Japanese-American Soybean Institute, a delegation of leading officials of the Japanese soybean industries visited the United States to become familiar with U.S. practices in raising, storing, grading, and shipping soybeans for export.

This group attended the convention of the American Soybean Association, and later traveled extensively. They inspected soybeans and farm equipment in the field. They visited country and terminal warehouses and elevators, and saw soybeans loaded and unloaded for shipment by truck, river barge, rail, and ocean vessel. They followed soybeans through various processing plants, with opportunity to observe all stages of operations and kinds of products. They interviewed technicians and experts in soybean trading and visited the Minneapolis grain market and the Chicago Board of Trade. They also met with trade representatives and Department of Agriculture officials in Washington. At the conclusion of their visit they had a comprehensive understanding of American soybean production, movement, utilization, and marketing.

Another market development program agreement--for soybeans, soybean oil,

and other soybean products--was entered into with the Soybean Council of America, Inc., also in 1956. Under this program, it is anticipated that project agreements will be entered into for market development in Western Europe. The program will be implemented by market research, market analysis, sales promotion, and trips to the United States by trade leaders from importing countries to learn first hand the advantages of using U.S. products.

International Trade Fairs

In cooperation with the American Soybean Association, an exhibit was set up at the Osaka International Trade Fair in Japan. The exhibit showed--

Modern and mechanical operations of a U.S. farm from planting through harvesting.

Yellow soybean plant breeding at research institutions.

Handling of soybeans from farm to processing plants and shipping ports.

Sampling and grading equipment and machinery.

Production by variety and area.

Soybean processing and various products manufactured from soybeans.

Two films on soybeans, with Japanese sound tracks.

Also, free samples of Japanese food made from U.S. soybeans were distributed.

Private Trade Activities

The annual Congress of the International Association of Seed Crushers at Lucerne, Switzerland, in June 1956, was attended by 27 representatives from the U.S. fats and oils trade. These delegates represented manufacturers, shippers, exporters, brokers, and dealers. Most of them made extended trips into various European countries either before or after the Congress in the interest of increasing exports of U.S. fats, oils, and oilseeds.

The American Soybean Association and the National Soybean Processors Association recently formed the Soybean Council of America, Inc. Among the objectives of this Council is market development work in foreign countries on

soybeans, soybean oil, and other soybean products. An agreement has been reached for use of foreign currencies from P. L. 480 sales in developing markets for these products in Western Europe. This agreement was based on conclusions reached by a representative of the Soybean Council who visited Europe to investigate potentialities and opportunities for market development. The Soybean Council recently sent another representative to arrange for industry participation for specific projects in Spain and Italy.

Market Information and Services

FAS publishes many spot market reports in Foreign Crops and Markets, a weekly FAS publication. In addition, comprehensive reports also are issued--12 such publications were released in 1955-56. Of special interest has been the publication of circulars reviewing the status of programs and shipments of fats and oils financed under Title I, P. L. 480.

Also, U.S. price information for several selected commodities is compiled weekly for transmittal to the U.S. agricultural attaches for use with foreign trade contacts.

The staff participates in trade discussions such as the annual meetings in the United States of the American Soybean Association and in Europe of the International Oilseed Crushers Congress. At the last International Congress, the Department representative participated in the subcommittee meeting held to discuss the quality of U.S. soybeans and complaints from various buyers.

FRUITS AND VEGETABLES

Export Situation--1955-56

Fruits.--The export market has provided an important outlet for the U.S. fruit industry for many years. Prior to the war, almost 14 percent of all sales of U.S. fruit and fruit products were made to foreign markets--almost 9 percent of the sales of fresh fruit and over 23 percent of those of processed fruit. During the last three seasons, however, only about 8 percent of the sales of both fresh fruit and processed fruit products

were made to export outlets.

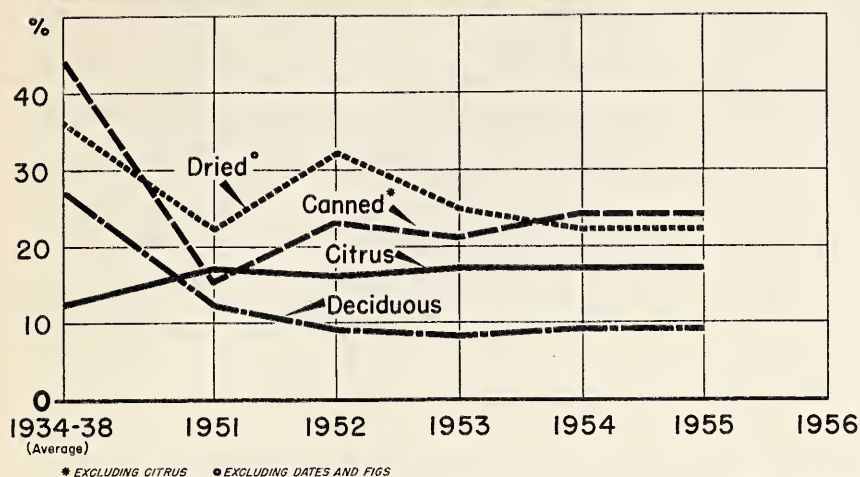
Before the war, exports of most U.S. fruits and fruit products went to Europe. Fresh citrus, shipped largely to Canada, provided the only exception; still, it too went in significant quantities to European markets. In recent years, Europe has taken less fruit and fruit products, largely because of quantitative restrictions imposed by European governments as a result of their shortage of dollar exchange. Despite recent improvements in the European dollar exchange position, some of these restrictions have been continued to protect the marketing of home- or colonial-produced fruits and fruit products. Since this important European market opportunity has not been made accessible to the U.S. fruit exporting industry, the major emphasis in the fruit and vegetable marketing development field has been directed toward removing the barriers to trade.

This endeavor has met with some success. Exports of U.S. fresh and processed fruits in 1955-56 increased above those of the preceding season and important steps in liberalizing trade this past year have been taken by several northern European countries, especially West Germany, Norway, and Denmark within the past year. In addition the United Kingdom dollar fruit import program for the 1955-56 season, financed under Section 402 of P. L. 665, was about twice as large as that of the previous year.

During the 1955-56 fiscal year, only about 7-1/2 percent of the total value of exports of fruits and vegetables was sold under currency conversion programs, and in only one country--the United Kingdom--were these programs of major significance. The export situation differs significantly for the citrus and the deciduous fruit industries.

For U.S. citrus, the export market has increased along with the domestic market. Exports of fresh citrus fruit to Canada, our largest customer, and to Europe now are larger than before the war. Percentagewise, about the same share of total sales - 9 percent - is made in export markets. However, the percentage of fresh fruit sales made to

U.S. share of world trade in fruit



USDA FAS 1181

export outlets has increased since the prewar period, and that for processed citrus sales had dropped.

For U.S. deciduous fruit, exports have been reduced sharply since before the war. Then, over 8 percent of all fresh deciduous fruit sales and over 25 percent of all processed deciduous fruit sales went to export markets. Now, those percentages are only 3 to 4 for fresh fruit and about 12 for the processed. As for canned fruit, about 17 percent of all U.S. sales went to export markets before the war, and recently about 3 to 4 percent. Dried fruits have fared a little better; recently about a fifth of total sales went abroad compared to a third before the war.

Vegetables.--Practically all exports of

U.S. vegetables are to nearby countries--principally Canada. Business conditions in Canada closely parallel those in the United States, and vegetable exports are expected to continue their upward trend.

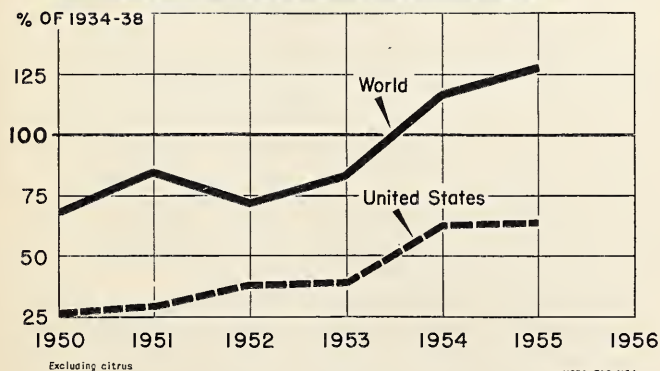
Dry Beans and Peas.--In two decades, the United States has changed from a net importer of dry edible beans to the world's largest exporter, and is one of the largest exporters of dry peas. Exports were about normal for both commodities in fiscal 1956, totaling 1.9 million bags of beans, valued at \$18.5 million, and 410,000 bags of

peas, valued at \$3.6 million. U.S. exports of both beans and peas were exceptionally large from the end of the war until about 1953. Postwar feeding, and later, droughts, hurricanes, and floods in the heavy bean-consuming areas of Latin America, largely caused these increases.

U.S. Trade Programs

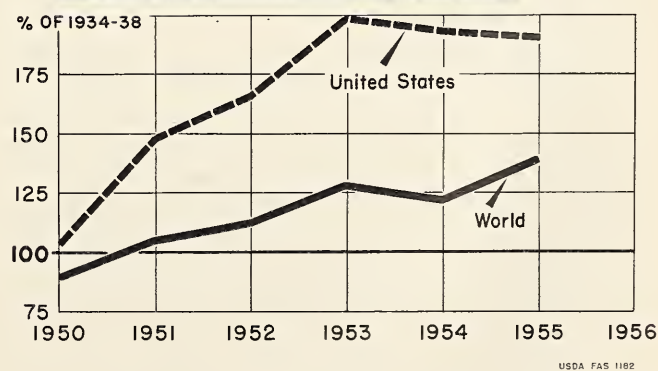
Only in the United Kingdom have U.S. Government programs contributed significantly to exports of fruits and fruit products. During the 1955-56 marketing season, U.S. exports to the United Kingdom of all fruits and fruit products were financed under Section 402 of the Mutual Security Act. The total program amounted to \$22.1 million:

U.S. and world exports of canned fruit



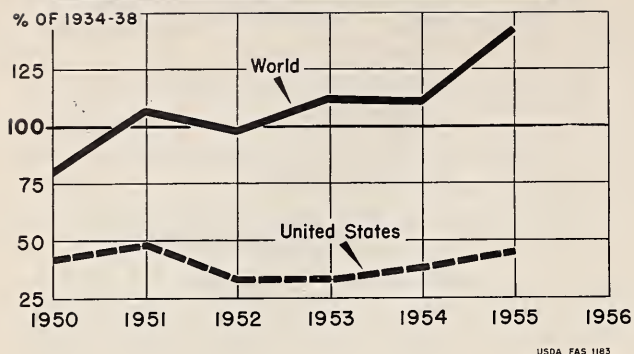
USDA FAS 1184

U.S. and world exports of citrus fruit

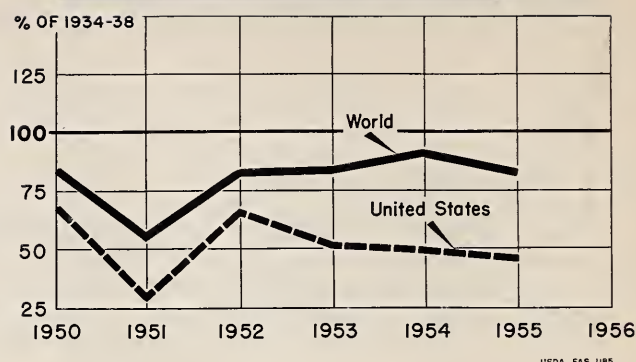


USDA FAS 1182

U. S. and world exports of deciduous fruit



U. S. and world exports of dried fruit



	Million dollars
Fresh apples, pears, and grapes	2.9
Canned deciduous fruits.	5.0
Fresh citrus fruits	3.5
Processed citrus fruits	2.3
Dried fruits.	8.4

Negotiations with the British Government concerning imports of U.S. fruit items have been carried on almost continuously in an effort to arrive at an announcement of programs early in the season in order to facilitate commercial operations. Programs announced by August 1956 were--

	Million dollars
Canned grapefruit segments to be shipped out of stocks remaining from the 1955-56 pack.	1.0
Deciduous fruits from the 1956 crop:	
Dried	7.5
Canned	5.57
Fresh pears . . . . .	.93
Fresh grapes.	1.0

In addition to these, the United Kingdom issued licenses to British importers for the importation of \$3.5 million worth of apples from either the United States or Canada during the 1956-57 marketing season. These imports are to be purchased with free dollars. This program represents an important forward step in that it enables United States and Canadian shippers to compete for the business. Previous programs have allocated shares

of the quota to the United States and to Canadian exporters separately.

The following programs, enabling exports of surplus canned fruits and fruit products under Title I, P. L. 480, were authorized in 1956:

Austria: \$50,000 of canned fruits and juices; \$250,000 of dried fruits.

Burma: \$114,400 (c.&f. value) of canned fruits and juices; \$114,700 (c.&f.) of dried fruits.

Finland: \$1,125,000 of dried fruits and \$75,000 of fresh pears.

An important quantity of surplus U.S. potatoes was sold to the Spanish Government under a Title I, P. L. 480 program in the spring of 1956. Spain does not normally import U.S. potatoes, but its need for them at this time arose from crop losses caused by severe cold weather. On March 5, 1956, an existing P. L. 480 agreement with Spain was supplemented to provide for the delivery of \$1.4 million worth of Irish potatoes to Spain. Under this program 23,000 metric tons of potatoes were shipped to Spain.

Through the efforts of the U.S. agricultural attaché, the New Zealand authorities licensed the importation of 112,000 cwt. of California potatoes. But owing to high prices during summer season only 31,400 cwt. were shipped. The potatoes arrived in excellent condition and were well received by New Zealand consumers.

All peas exported in 1955-56, as in most years, were exported commercially.

Of the \$18.5 million worth of beans exported, however, \$5.3 million worth

were donated--about 20 percent via Title II, P. L. 480--and the balance under Title III (Sec. 416 program). The total quantity under P. L. 480 was a little over 600,000 bags, mostly pintos. To the extent that this distribution introduced pintos to new customers, it opened the way for the development of new markets.

CCC sales, at reduced prices, have promoted the sale of pinto beans to Mexico, of which about 340,000 bags were so disposed of in 1955-56. These sales have contributed to the opening of a permanent new market for pinto beans.

Reducing Foreign Trade Barriers

The nature of the problem confronting exports of U.S. fruits and fruit products warranted FAS's devoting special consideration to trade policy activities. Throughout the year, FAS initiated steps to reduce foreign import restrictions. Discussions were undertaken with individual foreign governments, either at their capitals or through bilateral discussions during the GATT session in Geneva.

Wherever possible, discussions with foreign governments were accompanied by moves on the part of importers in the respective countries. Cooperation of foreign importers was obtained either directly or through the participation of U.S. exporting interests. Consultations for the elimination of import restrictions and principal results achieved recently have been as follows:

Working both at the seat of the German Government in Bonn and through bilateral discussions at Geneva, the German authorities were presented arguments in favor of eliminating procedures whereby U.S. fruits and fruit products could be imported only in limited quantity and only with dollars acquired by importers at a premium cost of 15 to 20 percent. During the past year Germany has liberalized imports from the dollar area of canned grapefruit, dates, figs, dried apples, dried prunes, dried apricots, dried peaches, dried pears, almonds, filberts, walnuts, tomato juice, and tomato powder. The premium dollar procedure has been

abolished for fruits and fruit products and free dollar quota import tenders have been set up for fresh and processed citrus, raisins, canned pineapple, canned asparagus, canned deciduous fruit, canned vegetables, and fruit and vegetable juices.

Many approaches have been made to the governments of Denmark and Norway in an endeavor to induce them to open their almost-closed doors to American fruits and fruit products.

Partly as a result of these efforts, Denmark liberalized imports of raisins from the dollar area on November 1, 1955, and imports of dried prunes, apricots, and peaches, December 3, 1956.

Norway, this past summer, announced the liberalization of imports of raisins, prunes, fresh lemons, and fresh grapefruit as of July 1, 1956, of canned asparagus and apricots as of September 1, 1956, of canned peaches and canned pineapple as of October 1, 1956, and of other dried fruits and tree nuts as of October 15, 1956. In addition, Norway has established global quotas, which include the dollar area, for the import of canned asparagus, fresh oranges, and table grapes.

Following a series of consultations with Austria, that country, effective July 15, 1956, liberalized imports of fresh lemons, canned pineapple, canned peaches, canned grapefruit, and several citrus fruit juices.

Similar consultations have been held recently with officials from France, Finland, Brazil, and the United Kingdom but without material success.

Tariff changes have been made within the past year under the provisions of Article XXVIII of GATT by France, the Netherlands, Sweden, Finland, Canada, and Peru. The agreement provision permitting these changes requires furnishing compensation. However, compensation could not always be obtained in the field of an allied product and in some instances not even in the field of agriculture. For the most part, tariff increases in this category were on minor products or by countries already having other important restrictions on imports of dollar products. Such changes,

therefore, will have little effect on U.S. exports.

The larger foreign importers of beans have little or no domestic production to protect. Postwar trade restrictions in Europe have been relaxed from time to time, permitting easier importation of U.S. dry beans and peas. Regulations discouraging to the import of lima beans into Germany have been attacked vigorously over the last 2 or 3 years, by the U.S. agricultural attaché. Thus far these regulations have not been changed.

Market Surveys and Analysis

In view of the nature of the export problem confronting the U.S. fruit and vegetable industry, more emphasis has been given to reducing foreign import restrictions than to making market surveys of foreign consumer demand for U.S. fruit and fruit products. Nevertheless, significant work in the market development field has been carried out.

For example, the fruit marketing specialist stationed in London has furnished the American fruit industry with a number of surveys and analyses of spot marketing opportunities. In addition to trips to importing countries by this specialist, two trips to major European markets were made by individuals stationed in FAS. In many instances, because of time elements involved, information gained on such trips has been supplied directly to the industry segments concerned rather than through routine publication channels.

Several extensive reports on how U.S. fresh apples, pears, grapes, oranges, lemons, and grapefruit have fared in Europe were published. Particular emphasis was placed on the current requirements of European markets as to pack, quality and size, and on the reception these fruits received in the markets.

Market analyses were issued covering citrus and deciduous fruits in Ireland, Austria, Switzerland, France, Belgium, Netherlands, Germany, the United Kingdom, and Sweden.

Projects Using Foreign Currencies

Four projects to help develop new markets for U.S. fruits, in cooperation

with the fruit industry, are progressing in various stages. Three are for Germany. The principal approach for two being developed for dried fruits and citrus is general promotion to acquaint German consumers with the particular merits of American products through newspaper, billboard, and cinema advertising especially stressing health angles. The third is to bring several German health officials to the United States to acquaint them fully with the administration of the U.S. Food and Drug Act and its application to our food industries. Its objective is to correlate standards adopted by German authorities with those applicable in the United States. This project has been approved and the German officials have been invited.

The fourth project is a brochure, showing U.S. fruits and nuts in color and describing them in English, French, German, and Spanish. It is being printed in Austria, using local currencies acquired for purposes of Section 104(a), P. L. 480. It was composed from information and illustrations furnished by the U.S. industries concerned, and will be distributed to the foreign importing trade through U.S. agricultural attachés.

The brochure is being issued to acquaint fruit importers in foreign countries with the characteristics of the whole range of U.S. fresh, canned, and dried fruits and tree nuts--for, among potential buyers of U.S. fruits and nuts, the most informed are familiar with only a few products. Others who last imported U.S. products in the late thirties have forgotten much about U.S. fruits. Finally, a large segment of potential buyers have no real knowledge of U.S. fruits and fruit products.

In postwar years the U.S. fruit industry has carried out fairly extensive foreign representation. Exporters have maintained contacts with foreign importers and foreign governments. Where relatively unrestrictive imports have been permitted, many industries have followed up their sales with distributive support and consumer promotions. They have generally indicated a desire, as well as a willingness, to initiate and carry out their own promotional and

market development projects.

The industry's own appraisal leads it to believe that a strong demand already exists in many countries for U.S. fruits and fruit products, and that the current barrier to increased foreign trade is not so much lack of demand as inaccessibility to existing markets.

Two projects are being worked out in cooperation with the potato industry to help develop new markets for seed potatoes under the provisions of Section 104(a) of P. L. 480. The projects are designed to demonstrate the merits of U.S. seed potatoes, and it is hoped to increase their use in Argentina and Brazil. Partly to assist in working out these projects, a survey was made in October and November of the potential market for both seed potatoes and table stock potatoes in Uruguay, Venezuela, Argentina, and Brazil. The first two countries produce less than their annual requirements and are likely to continue so for some years in the future. The United States and Canada obtain a substantial share of the imports by these countries. There are possibilities for increased imports of U.S.-grown seed potatoes in Argentina because some of our best varieties are known there and produce much better quality potatoes than those of local origin. Education of the consuming public to the variety name of good quality potatoes should result in increased demand for these varieties. Brazil, on the other hand, has imported seed potatoes almost entirely from Europe. Any market development in that country would require initially a demonstration of the merits of white flesh potatoes which are produced in the United States.

The National Bean Council now has a committee at work considering the possibilities of Section 104(a) projects for dry beans.

International Trade Fairs

At the fair held at Cologne, Germany, 14 of the 16 exhibitors of U.S. agricultural products displayed fruit and vegetable products, and many of the 300,000 visitors indicated considerable interest in these fruit and vegetable displays:

Various arrangements of prunes, natural raisins, Golden raisins, currants, dried figs, apricots, peaches, pears, and apples;

Walnuts in-shell and shelled, in bulk, consumer-size film packages and vacuum tins. Almonds were also shown;

Canned fruit including pineapple, fruit cocktail, peaches, and pears;

Canned vegetables such as asparagus, tomato juice, and catsup;

Fresh oranges and lemons;

Such citrus products as canned juices and concentrates, lemonade, grapefruit and orange segments, pectins, oils and pharmaceuticals; and

Dried beans, peas, and lentils.

Most of the industries exhibiting were already well known in Germany and some carry out their own regular promotion activities in that country.

At the International Congress on Food Distribution in Rome, fresh and processed fruits and vegetables received their customary share of display in the U.S. model supermarket, where attendance totaled 400,000. Italy is a sizeable producer of fruits and vegetables and is not a normal market for such products from the United States. Members of the International Congress, meeting in Rome, were reported to have been favorably impressed both with the quality and wide range of U.S. products displayed.

At the British Food Fair in London, effective fruit displays included fresh pears, grapes, oranges, lemons, and grapefruit; canned citrus fruits; canned deciduous fruits in glass; and dried fruits. Samples of citrus fruit juices were given to visitors.

A representative of the U.S. National Fruit Export Council attended the Fair to provide information to visitors and to answer commercial inquiries.

Private Trade Activities

The U.S. fruit and vegetable industry is comprised of a large number of segments, each with interests peculiar to its own operations; and even some with common interests are separated by geographical considerations. Until this year there has been no united industry

representation for U.S. fruit export activities.

In 1954, in an effort to evolve a means for common handling of problems, the Secretary of Agriculture appointed an industry advisory committee on foreign trade in fruits. This committee included representatives of exporters and of the fresh, processed, and dried elements of the citrus and deciduous fruit industries. Subsequently, the U.S. National Fruit Export Council was organized independently by the trade, to provide a single, united industry voice on all matters pertaining to foreign trade in fruits. The Council is, in effect, a federation of industry organizations and marketing associations. Upon completion of formation of the Council in June 1956, the Secretary's advisory committee was dissolved.

A number of industry organizations and private-brand shippers maintain representatives in foreign countries or arrange for frequent visits of their representatives to foreign markets. Their activities include on-the-spot representation of U.S. exporters; service work with foreign distributors; advertising in newspapers, in magazines, on billboards, and through radio broadcast; demonstration; and participation in local fairs.

FAS has supported these activities by providing trade leads, introductions to attachés and foreign importers, and data relating to tariffs, restrictions, market potentials, competitive production, and world trade.

Market Information and Services

In the fall of 1955 a weekly price report was inaugurated, which is disseminated to the trade through the USDA Market News Service. This report is issued telegraphically each Thursday and gives auction prices during the previous week for seasonally traded fresh fruits at London, Antwerp, Rotterdam, and Hamburg. Tree nut prices are also reported from the principal producing areas.

During fiscal 1957, 51 circulars were published on fruits and vegetables, as well as 284 articles in Foreign

Crops and Markets.

Spot market prices for other commodities are also reported when needed. Usually these are sent by airmail directly to the industry concerned, although telegraph is often used when it favors a specific marketing opportunity.

Shipping reports are also issued from time to time where the seasonal rate of movement is important or of interest to U.S. producers and shippers.

FAS has assisted American importers to obtain seasonal concessions in ocean freight rates. In most such instances, a precedential pattern of concessions has existed; hence, the assistance usually has consisted in the extension of an existing rate or in the re-establishment of a previous season's concession.

FAS has fostered consultations between U.S. industries and foreign competitors or foreign governments that impose restrictions on imports of U.S. commodities. Such consultations are aimed at achieving foreign recognition of the position of U.S. shippers in international trade. One of the particular accomplishments has been to lessen an unwarranted fear of the U.S. competition in particular markets and to bring forth understanding of the relative competitive positions of various suppliers of the particular commodity.

Assistance has also been furnished to U.S. fruit industries from time to time in day-to-day matters. These include listings of specific restrictions, country by country; clarification of import tariff problems; determination of sanitary restrictions; solution of container and marking problems; and avoidance of commodity detentions.

Information and service are also given at conferences and trade meetings. Some of those attended are annual meetings of the International Apple Association, National Apple Institute, California Grape and Tree Fruit League, Oregon-Washington-California Pear Bureau, California Dried Fruit Association, Florida Cannery Association, Virginia and West Virginia Horticultural Societies, United Fresh Fruit and Vegetable Association, United States-Canadian Apple Industry representatives, London

Federation of Fruit and Vegetable Trades, U.S. National Fruit Export Council, Maine Potato Council, Vegetable Growers Association of America, National Dried Bean Association, California Citrus Marketing Association, and Citrus Industry Merchandising Committee.

GRAINS AND SEEDS

Export Situation—1955-56

Exports of grain and grain products from the United States during the 1955-56 marketing season (July-June) reached a total of 17.4 million long tons (grain equivalent)—an increase of 46.3 percent over 1954-55. At this level the Nation's grain exports were close to the alltime record of 18.3 million tons in 1951-52, when the quantity moved into export channels was the largest ever exported by any one country in a single year. (See table on page 36.)

The upward trend in exports, despite many unfavorable competitive factors—for example, increased export availabilities in major exporting countries and continued governmental encouragement for expanded production in many of the importing countries—can be attributed to a number of market developments. Among them were the opportunities provided by the trade programs authorized by the Congress, increased dollar

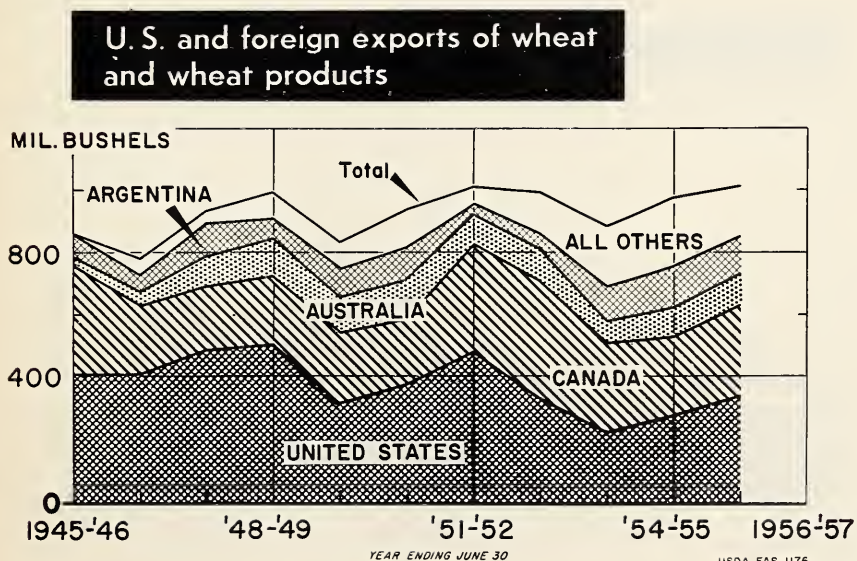
earnings in a number of foreign countries, and increased feed grain requirements abroad as a result of a continued upward trend in livestock numbers and in the quantities of feedstuffs fed per animal unit.

The outstanding feature of the trade for the year was the large increase in exports of feed grains (corn, oats, barley, and grain sorghums). They reached a total of 7,509,000 long tons, an all-time record and an increase of more than 85 percent over 1954-55. At the same time the country's wheat and flour exports rose about 24 percent in grain equivalent.

U.S. Trade Programs

Emphasis continues to be placed on encouraging export sales of grain and grain products for dollars. The objective is to move as large a volume of exports as possible through regular business channels, and market CCC-owned stocks with a minimum loss to the government. Of basic importance in that connection is the program of selling CCC-owned grain at world market price levels. On a combined tonnage basis, approximately 30 percent of the Nation's 1955-56 exports of food grains (wheat, rye, and rice) and nearly 40 percent of the coarse grains (corn, oats, barley, and grain sorghums) represent sales for free dollar exchange outside government programs.

However, postwar dollar problems and the availability of large supplies in other areas continue to impede such sales. Many countries wishing to buy from the United States are unable or unwilling to pay in dollars, but are willing to pay in their own currencies or to barter for needed grains. As a result, approximately 70 percent of the season's food grain exports and 60 percent of the coarse grains moved into export channels under programs. For individual grains the percentages thus moved were as follows: wheat, 72; rye, 56; rice, 51;



U. S. exports of grains and grain products, average 1935-39 and 1946-50, annual 1949-56

Year ending June 30. [In thousands of long tons]

Product	Average		1949	1950	1951	1952	1953	1954	1955	1956 ¹
	1935-39	1946-50								
Food grains:										
Wheat.....	² 1,514	11,141	13,489	8,168	9,801	12,723	8,495	5,802	7,348	9,130
Rye.....	38	101	136	145	148	115	8	(³)	75	176
Rice ⁴	⁵ 99	406	444	501	406	770	776	703	440	⁶ 535
Total...	1,651	11,648	14,069	8,814	10,355	13,608	9,269	6,505	7,863	9,841
Coarse grains:										
Corn.....	947	1,921	2,337	2,833	2,974	2,108	3,152	2,777	2,043	3,081
Oats.....	64	304	359	223	97	66	59	49	220	415
Barley....	208	433	593	514	857	665	794	398	929	2,195
Sorghums..	4	481	862	703	1,969	1,807	283	209	876	1,818
Total...	1,223	3,139	4,151	4,273	5,897	4,646	4,288	3,433	4,068	7,509
Total all grains....	2,874	14,787	18,220	13,087	16,252	18,254	13,557	9,938	11,931	17,350

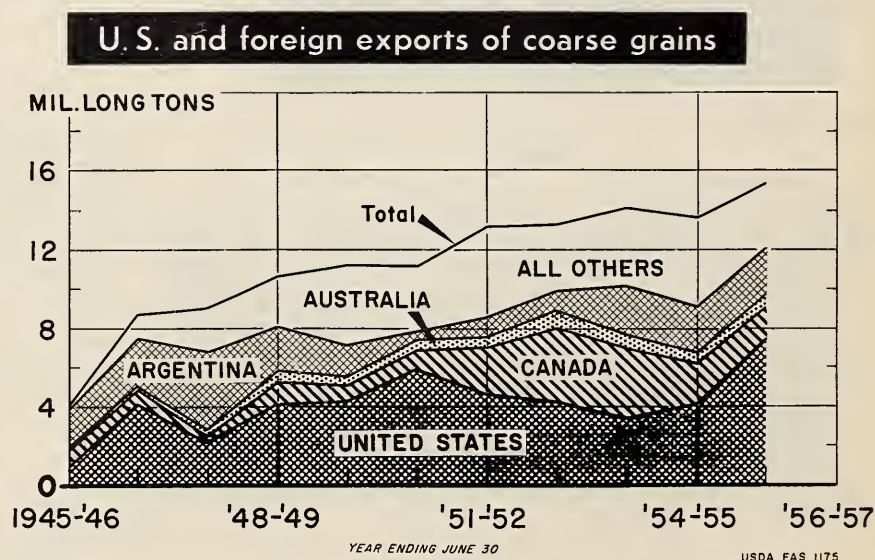
¹Does not include private donations which are not reported or shown separately by the Bureau of the Census. ²Includes flour not wholly of U. S. wheat. ³Less than 500 tons. ⁴Year ending July 31. ⁵1936 through 1940. ⁶Preliminary.

corn, 64; oats, 56; barley, 55; and grain sorghums, 62. The most important programs contributing to increased exports of grain and grain products were those under Titles I and III, P. L. 480, and Section 402, Mutual Security Act.

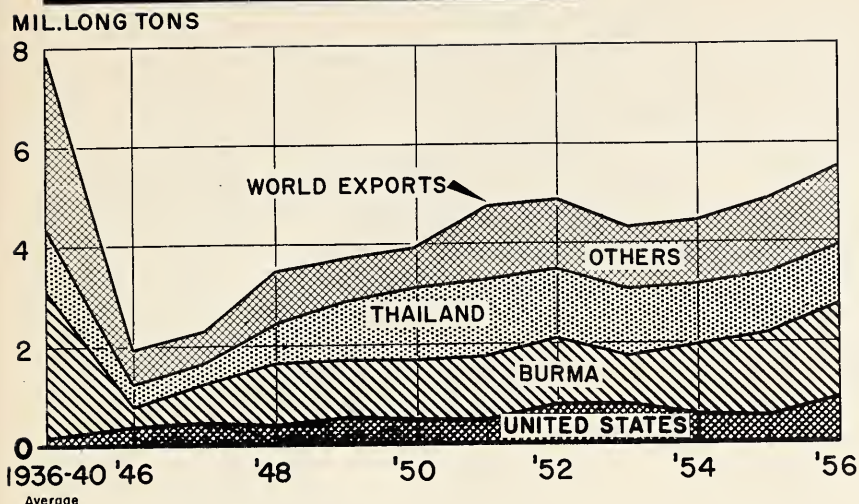
Sales for Foreign Currencies.--Operations under P. L. 480 have proved to be especially effective. On a combined tonnage basis, 26 percent of the 1955-56 exports of food grains and 7 percent of the coarse grains were exported under Title I financing. Such sales enable grain exporters to supplement their usual commercial marketings and to expand the volume of exports. Exports under Title I are expected to continue at a high level during 1956-57.

Barter.--On a combined tonnage basis, 19 percent of the 1955-56 exports of food

grains and 46 percent of the coarse grains moved abroad under barter arrangements (Title III, P. L. 480); such sales in 1956-57 are expected to be at least as large. Barter operations have the twofold result of effecting



U. S. and foreign exports of rice



procurement of essential goods and services without expenditures of dollars and of assuring and facilitating the exportation of CCC-owned farm products of an equivalent value.

Foreign Aid Financing.--Under the provisions of Section 402 of the Mutual Security Act, an estimated 20 percent of the country's food grain exports and over 5 percent of its coarse grains were exported during the year ending June 30, 1956.

Other Programs.--Other programs under which grains and grain products moved into export channels during 1955-56 include (1) grants of CCC-owned grains to foreign countries under Title II of P. L. 480 to meet famine or other urgent relief needs, (2) donations under Section 416 of the Agricultural Act of 1954 through nonprofit agencies for assistance of needy persons outside the United States, and (3) a small quantity under the CCC export credit program permitting sales of CCC-owned grain to U.S. exporters on a deferred payment basis. A new program that also will be helpful during the current 1956-57 marketing season is the recently announced action of the Export-Import Bank extending short-term credit to foreign banks or buyers to finance purchase of CCC-owned grain. Such credits, however, will not be authorized in cases

where financing is available from private sources.

Reducing Foreign Trade Barriers

Reductions in import duties were obtained from Denmark, Canada, Germany, and Haiti on several kinds of U.S. field seeds and grain products in negotiations held at Geneva in GATT. Bindings of duties at existing levels are obtained from the United Kingdom on corn and grain sorghums, and from Hong Kong on wheat flour. In addition, Australia removed restrictions on dollar imports of seeds and hops by

permitting importers to buy from the cheapest source of supply, thus opening the door to imports of these products from the United States. In the eleventh session of GATT, discussions were held with importing countries concerning the relaxation of restrictions, other than duties, on imports. These talks were concerned primarily with dollar liberalization, licensing of imports and other forms of import control. Follow-up will be directly with governments by agricultural attaches, marketing specialists, and U.S. Embassy officials.

Market Surveys and Analysis

Grain marketing specialists have visited virtually every important market in the world in an effort to determine market prospects for U.S. grain and grain products and to help remove impediments to larger sales abroad. Following are some specific accomplishments:

At the request of the U.S. flour milling industry a grain marketing specialist spent 3 weeks in West Africa in the fall of 1954 getting information on the capacity and operation of a new mill in Dakar, French West Africa, and investigating the refusal of Gambia and Sierra Leone to issue import licenses for U.S. flour. This matter was cleared up and U.S. exporters were once more active in the

Estimated exports of grains under specified programs and cash sales,
year ending June 30, 1956

[In thousands of bushels, except as noted]

Product	Under Public Law 480				Sec. 402 P.L. 665 (ICA)	Cash sales	Total exports ¹
	Title I	Title II	Title III				
	Foreign currency sales	Relief grants	Barter	Donations through organizations			
Wheat.....	92,955	12,004	67,420	3,745	² 72,000	96,560	343,113
Corn.....	11,099	1,204	55,141	1,393	³ 11,000	45,148	123,865
Barley.....	6,884	0	41,839	0	³ 8,000	45,728	102,451
Sorghums.....	3,932	0	39,445	0	³ 2,000	27,346	72,723
Oats.....	1,306	0	14,906	0	0	12,870	29,082
Rye.....	0	0	3,912	0	0	3,117	7,029
	1,000 <u>cwts.</u>	1,000 <u>cwts.</u>	1,000 <u>cwts.</u>	1,000 <u>cwts.</u>	1,000 <u>cwts.</u>	1,000 <u>cwts.</u>	1,000 <u>cwts.</u>
Rice.....	2,632	1,943	0	1,040	³ 605	5,814	11,824

¹Wheat, corn, and rice adjusted to include private donations not reported or shown separately by the Bureau of the Census. ²ICA estimate. ³FAS estimate based on ICA purchase authorizations.

flour markets of those areas in 1955-56.

During the fall of 1955, visits were made to Central American and Caribbean countries to investigate feed grain marketing and processing facilities and the potential demand for mixed feeds for poultry and livestock. As a result of the information obtained, a number of representatives of U.S. feed manufacturers visited the area, and sales of mixed feeds, feed concentrates, and feed grains there have been substantially increased.

A grain marketing specialist, accompanied by representatives of the Miller's National Federation and the Oregon Wheat Grower's League, went to the Far East in 1954 to plan a broad program to promote sales for U.S. grain and flour in that part of the world. As a result, joint educational, advertising, and trade promotional programs are now being carried on by U.S. industry groups and local millers and bakers. Also, while in Manila, discussions with Philippine Government officials were largely responsible for obtaining the removal of

restrictions on wheat flour imports.

The rice marketing specialist on visits to the Philippine Republic, Japan, and Thailand helped develop P. L. 480, Title I programs for foreign currency sales. As the USDA representative on a mission to the United Kingdom, Burma, Thailand, and Cambodia, he participated in discussions on U.S. rice marketing policies. On visits to Italy, Cuba, Ryukyu Islands, Taiwan, Hong Kong, Vietnam, Laos, Indonesia, Malaya, Singapore, India, and Pakistan he (1) collected market information, (2) investigated the competitive aspects of the rice trade, and (3) developed commercial contacts for the U.S. rice industry importing areas.

The seed marketing specialist made two trips to Europe in 1954 in connection with the unusual demand for seeds following crop failures in that area. His survey was reported rapidly to the U.S. seed exporters who increased the 1954-55 exports of seeds from the United States to their highest level since the war. In the spring of 1955, he visited the Far East, Australia, and New Zealand to

study that area as a potential seed market. Some business has developed since that trip, mainly with Australia, where discussions with government officials and tradesmen clarified many seed marketing problems. In 1956, he made a survey in South America and found much interest in U.S. seeds. Exports to that area have increased appreciably during the past year and are expected to continue upward in 1956-57 despite limited purchasing power in many of the countries. The groundwork was laid for a P. L. 480 purchase of seed by Chile during this trip. In 1956 also he visited Europe to assess the winter injury to seed crops, particularly those that the United States must import. While there, he visited Spain and Portugal and found in both very limited demand for U.S. seeds; but in Portugal he found a possible source of seeds.

Projects Using Foreign Currencies

In Japan a project is underway to expand per capita consumption of wheat products by letting people know the value of these products in the diet and by encouraging action aimed at improving diets. Activities to date include a series of 18-day schools at which home demonstration agents are instructed on how to prepare wheat foods; preparation by the Japan Nutrition Association of menus, posters, etc., showing the advantages of eating more wheat products; purchase of eight mobile kitchen busses for use in wheat food demonstrations; and initiation of four month courses in Tokyo to train bakers from each of the Japanese Prefectures.

In Colombia, a project provides for the distribution of information on nutrition; wheat food demonstrations; and advertising of wheat products. Accomplishments to date include development of market-promotion information; recommendation of a "blended" wheat price program for domestic and imported wheat for use in reducing the price of bread; arrangements for a joint promotional program with local industry groups for increased consumption of wheat products; and organization of a national baker's association to help

promote consumption of wheat products.

For 27 other countries, 74 projects for grain, grain products, and seeds are in the planning stage. They would entail expenditures of foreign currency for marketing development equivalent to more than \$3 million.

International Trade Fairs

International trade fairs provide U.S. industries handling and manufacturing grain and grain products for export an excellent opportunity to bring their commodities to the attention of consumers in foreign countries. During the past year FAS, with industry collaboration displayed at two fairs the various classes and grades of grains and grain products available in the United States and distributed samples.

At the Second International Industries Fair held in Bogotá, Colombia, the U.S. exhibit included a display of feed grains, cake mixes, and breakfast foods. It was visited by a large percentage of the million-odd people who attended the Fair. Half-pound loaves of bread made of high-quality U.S. flour and cakes baked in model U.S. kitchens at the exhibit from U.S. mixes were distributed. The bread included 4 percent of American powdered milk, the first powdered milk used in bread baking in Colombia. The Colombian bakers, brought together at the Fair, formed an association immediately afterward to encourage increased use of wheat products in Colombia.

A grain products exhibit was also presented at the Japanese International Trade Fair in Osaka, Japan, and visited by most of the approximately 400,000 people who attended. It included separate booths for preparing bakery products--among them, American-type sweet rolls--and boulgour (a wheat product developed for use in a manner similar to rice). It also displayed wheat foods made in Japan and wheat and barley classes and grades available for export from U.S. West Coast ports. In addition, it had a scale model of a mechanized grain combine in operation and large photographs of U.S. wheat harvest scenes.

The promotional activities designed to increase per capita consumption of U.S. grain and grain products in Japan were initiated immediately following the Fair.

Private Trade Activities

U.S. exporters of grain and grain products, seeds, and hops are represented throughout the world by men whose daily task it is to make sales on competitive markets. These firms are in constant touch with CCC, FAS, ICA, and other government agencies whose policies and activities affect their sales abroad. FAS's own marketing specialists cooperate closely with trade representatives and frequently meet with them in various centers throughout the country. By such personal contacts the marketing specialists are kept advised about industry operations, obstacles to the movement of products into export channels, and what activities, policies, and programs can best remove impediments to trade expansion.

Included among the grain industry groups that are especially active in the export trade promotional field are the North American Export Grain Association, Inc., composed of 28 American firms; the National Grain Trade Council, which works closely with U.S. grain exporters; the National Federation of Grain Growers Cooperatives, and Millers' National Federation. The marketing specialists not only cooperate closely with these and other industry groups, but help develop good relations through the agricultural attachés, between such groups and foreign exporters of U.S. grain and grain products.

Feed manufacturers in the United States are also becoming quite active in world export markets, especially in Latin America and southern Europe. These firms have agents in many foreign countries and salesmen who visit those countries frequently. As a rule, they sell complete feeds in countries where the import tax is not prohibitive and work closely with foreign producers of broilers, eggs, and milk. In fact, they are contributing to the rapid development of these industries in some of the countries. In a number of countries,

they have contracts with local feed manufacturing firms, furnishing them with formulas, concentrates, and laboratory services. However, many countries also find it necessary to import feed grains from the United States. The feeding of balanced mixed feeds to poultry and livestock in foreign countries has made rapid progress in the last 5 years. Much of the credit for this development belongs to American feed exporters. FAS is providing service to manufacturers and exporters of mixed feeds and to exporters of feed grains by furnishing them timely information on all developments abroad affecting foreign competition and demand for their products.

FAS is also encouraging and supplementing the foreign market development activities of U.S. seedsmen. While U.S. seed exporters have agents in many importing countries, they have shown great interest in the surveys of foreign market potentialities made by the seed marketing specialist. The American Seed Trade Association is now developing plans to set up a representative group to work with FAS on market development abroad. Indicative of the interest is their attendance at the 1956 International Seed Trade Association convention in the Netherlands; 30 attended--more than double the number that went to a similar meeting in England in 1954.

The U.S. rice trade has set up two corporations under the Webb-Pomerene Act to handle promotion activities in world rice markets. One of them, the Southern Rice Export Corporation with headquarters in New Orleans, include southern millers, processors, and co-operatives. Three of the officers have traveled to all of the principal rice importing countries. Partly through their own efforts and partly through those of FAS, they have developed valuable commercial contacts throughout the world and are exchanging information on import requirements, prices, and other developments. Although only recently formed, this corporation will undoubtedly prove to be an important factor in developing foreign market outlets for U.S. rice.

A similar organization, the California

Rice Exporters Corporation, with headquarters in San Francisco, has been in operation for some time. Officials of this corporation also frequently travel throughout the world. The directors have spent considerable time in Japan, and the Japanese Rice Import Association has conferred with the California corporation in the United States several times. Sales under the corporate framework have varied, but have been as high as \$20 million in a single year. While the California corporation operates entirely on its own, it cooperates with and has furthered to a considerable degree the various rice marketing programs initiated by FAS.

Finally the U.S. rice industry, under the leadership of FAS, has set up the United States Rice Development Corporation on which all of the principal rice interests in the several rice producing States are represented. This association has been established for the sole purpose of participating in market development work, and has already raised an initial sum of \$50,000 through member contributions for that purpose.

Market Information and Services

FAS appraises and disseminates to the Nation's producing and trading interests, information assembled from all parts of the world affecting the competitive status and market prospects for U.S. grains, grain products, agricultural seeds, and hops.

During 1955-56 this information appeared in the following number of reports:

Bread and feed grains	105
Rice	12
Seeds	37
Hops	6
Foreign price supports	41
Total	201

In disseminating these facts, major use is made of FAS's weekly Foreign Crops and Markets, which goes to a wide variety of news agencies and business concerns. Analyses of the information appear from time to time in the monthly, Foreign Agriculture, and in special

reports prepared for trade and other publications.

FAS marketing specialists attend meetings of producer and exporter groups throughout the country and make radio and television broadcasts upon request. During their travels abroad they also survey and pave the way for market opportunities through contacts with foreign government officials, trading agencies, importers, and consumer groups.

U.S. producing and exporting interests are also served by display samples prepared in USDA for use by U.S. agricultural attachés in building up and maintaining foreign consumer interest in the purchase of U.S. products. Too, the Washington office of FAS maintains liaison with the U.S. agricultural attachés with a view to keeping them up-to-date with respect to good buys in the United States; and it provides them with information on the supply and price position of U.S. competitors.

Typical of the kind of economic intelligence that FAS maintains for the guidance of U.S. producers and exporters is the information on foreign rice developments that goes out regularly:

Weekly report, prepared for the Rice Market Review issued by the Agricultural Marketing Service in New Orleans and San Francisco. It covers world rice prices.

Weekly reports in Foreign Crops and Markets. They cover outstanding developments on foreign rice production, consumption, import requirements, export availabilities, prices, stocks, and foreign governmental policies and programs.

Special Foreign Agricultural Circulars. They contain specific details on such developments.

Special reports for specific groups--members of the various committees concerned with rice marketing problems and key leaders in the industry.

LIVESTOCK AND MEAT PRODUCTS

Export Situation--1955-56

Exports of livestock and meat products from the United States during 1956

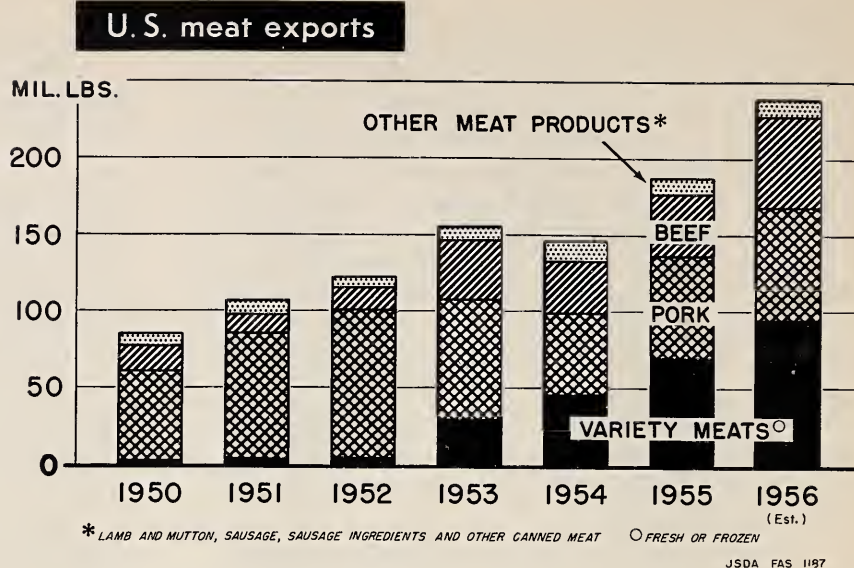
continued the steady upward trend of recent years. During the January-June period this year, exports totaled \$189 million, a gain of 26 percent over the similar period last year. Total exports for calendar year 1955 were \$316.5 million. Comparing export values of the first 6 months of 1955 and 1956, variety meats were up 93 percent, beef 60, tallow and greases, 32, lard 12, hides and skins 12, and pork (excluding lard) 4.

These exports are largely byproducts of the packing industry for which there is a limited market domestically but which must be exported in order to maintain prices of meat animals at profitable levels. The main contributing factors in the expanding U.S. exports of meat products are the competitive position of U.S. products, both in price and quality; economic stability and prosperity in most meat importing countries; and U.S. Government export programs.

Contrary to the substantial gains in exports, imports of the same classes of meat products in January-June 1956 decreased to \$127 million, a 7-percent drop compared with the same period a year earlier. The reduction in U.S. imports was due primarily to large production and decreasing prices of U.S. meat and meat products. Similarly, the number of live animals imported was the lowest in many years owing to an increased domestic demand for meat in both of the principal exporting countries of Mexico and Canada.

Total U.S. exports and imports of livestock and meat products during calendar years 1954 and 1955 and for January-June 1955 and 1956 were--

	1954 1,000 dollars	1955 1,000 dollars
Exports	292,613	316,493
Imports	243,843	240,800



	Jan.-June 1955 1,000 dollars	Jan.-June 1956 1,000 dollars
Exports	150,028	188,714
Imports	127,002	118,518

Of the estimated \$800 million exports during the period January 1954 to June 1956, about \$700 million represents foreign sales for dollars. The balance of sales were made for foreign currencies, or were completed under U.S. grants or aid programs.

U.S. Trade Programs

The following government export programs have been effective in expanding exports of U.S. meat and meat products:

Sales for Foreign Currencies.--In the period since late 1955 to August 31, 1956, agreements have been signed with 10 countries providing for the sale of over \$45 million worth of U.S. meat and meat products. The market value and estimated weights of the products included in these agreements are shown in the accompanying table.

Other Programs.--Authorizations issued principally by the International Corporation Administration for the procurement of beef, lard, and tallow during the past 3 years were as follows:

	<u>Lard</u>	<u>Beef</u>	<u>Tallow</u>
	1,000 dollars	1,000 dollars	1,000 dollars
1954.	500	22,100	2,350
1955.	34,437	5,455	8,235
1956.	8,293	2,152	3,960

Reducing Foreign Trade Barriers

Although exports of U.S. meat and meat products are the largest in recent years, foreign government intervention continues to limit them. Likewise, competition for overseas markets has again become keen. Meat production in many foreign countries has increased considerably during the past few years as a result of subsidies and other government measures. This has, in turn, reduced the volume of meat imports required by these countries. For example, France, formerly a meat importer, is now a net exporter. A further limiting factor is that while U.S. prices for pork and variety meats are highly competitive, U.S. beef prices cannot currently compete with those of Australia, New Zealand, Argentina, Uruguay, and Denmark.

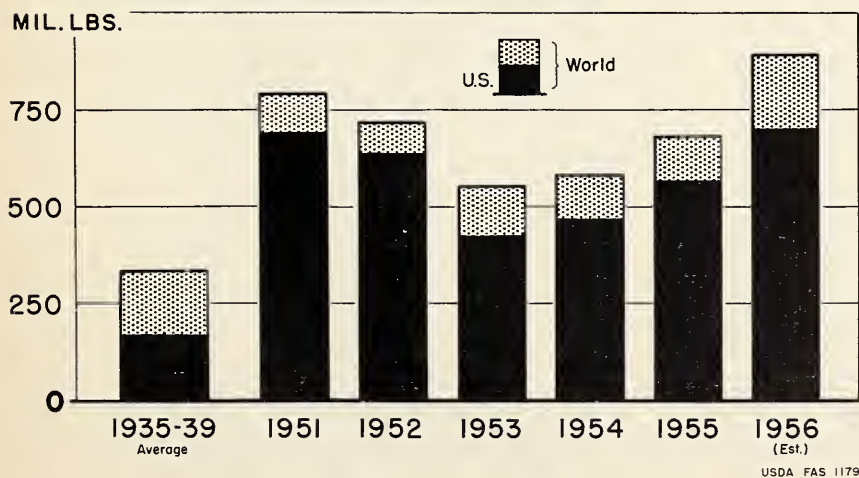
In general, other trade barriers may be grouped as follows: (1) Lack of "hard" currency, especially dollars. The dollar shortage in countries hard hit by the war is probably the primary reason why

meat-importing countries must now limit their purchases from hard currency areas to the necessities for economic development. Other countries have limited their dollar purchases to industrial equipment of high priority. (2) Multiple exchange rates. They are maintained in some countries through state-controlled internal prices to restrict imports of some commodities and encourage imports of others. For example, in Brazil the exchange rate of the dollar for the cruzeiro varies according to the commodity and whether the government considers it a luxury or nonessential. (3) Bilateral trade agreements. Such agreements create a non-competitive market. (4) Sanitary (veterinary) regulations. Fear of certain animal diseases, such as hog cholera and vesicular exanthema, is the reason various importing countries give for banning certain U.S. pork products. (5) Form in which product may be imported. (6) Unusually high tariff rates and import fees.

FAS, in cooperation with private trade, continues to seek ways to eliminate these trade barriers. Directives have been issued to the agricultural attaches suggesting the course of action to be taken in their personal approach to government officials. Marketing specialists and agricultural economists have visited most of the Western Euro-

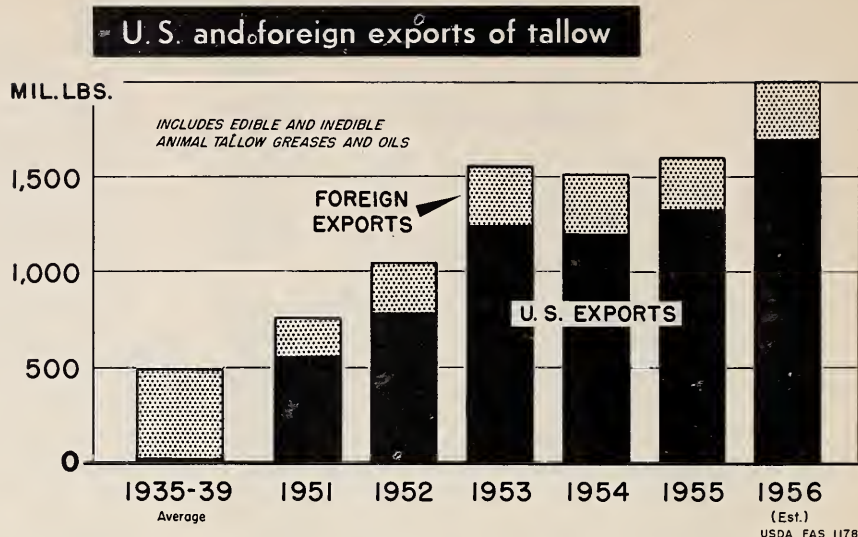
pean and South American countries during the past year to discuss meat marketing problems with both private trade and government officials. Such a mission to West Germany participated in efforts by the agricultural attache and Embassy officials which succeeded in gaining a tariff reduction of 7 percent for lard imports that are remelted in that country. A marketing project for Korea and Japan had as one of its basic objectives the settling of various differences concerning import standards and regulations.

U. S. and foreign exports of lard



In the above manner, certain trade barriers already have been modified or eliminated. As economic recovery continues in various meat-importing countries, some other restrictions will probably be adjusted. FAS will continue to cooperate with private trade in every method possible to remove obstacles to expanding overseas outlets for U.S. meat and meat products.

In recent GATT sessions, several meat-importing countries reduced their duties on meat products. It is expected that the United States will derive benefits from these reductions, since U.S. exports to those countries in recent years have been steadily increasing. Small reductions were made by the Benelux countries on bacon, hams, beef and pork (pickled or salted), canned meats and frozen variety meats of beef and veal. U.S. exports to these countries before the 1955 reductions were about \$6 million and since then have been increasing. Austria and Chile made concessions to the United States on inedible tallow. West Germany, a very important market for U.S. lard, made a small reduction in its rate on lard.



Market Surveys and Analysis

During the past 18 months three FAS livestock and meat representatives made trips to foreign countries:

An agricultural economist made a study in the Federal Republic of Germany of the entire marketing situation for livestock and meat products.

A marketing specialist has also traveled throughout South America and made contacts with the agricultural attachés and trade representatives there regarding possibilities of market outlets for U.S. meat products, with particular emphasis on animal fats.

Sales of meat and meat products authorized through Aug. 31, 1956,
under Title I, P. L. 480

Country	Meat		Lard		Tallow and/or greases		Total	
	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars	1,000 pounds	1,000 dollars
Austria.....			16,552	2,400				
Brazil.....			11,000	1,790				
Chile.....	13,214	3,700	3,241	470	4,769	620		
Israel.....	40,000	10,000						
Greece.....			¹ 20	280				
Korea.....	21,000	8,000	14,327	1,500				
Paraguay.....			1,300	195				
Spain.....	1,640	1,000	9,655	1,400	19,512	2,000		
Turkey.....					11,282	1,100		
Yugoslavia.....			87,964	10,800				
Total.....	75,854	22,700	144,059	18,835	35,563	3,720	255,476	45,255

¹Estimated.

A market survey of Spain, Switzerland, Austria, Federal Republic of Germany, France, Denmark, the Netherlands, and the United Kingdom was made. Discussions were held in the Netherlands, Denmark, and Western Germany on the imports of canned hams into the United States and the desire for a two-way trade on livestock and meat products. Primary emphasis was on the exports of additional quantities of animal fats and variety meats.

Projects Using Foreign Currencies

Various projects to develop new markets or expand existing foreign outlets for U.S. livestock, meat, and meat products are currently underway or are being planned under Section 104(a) of P. L. 480. These projects include:

A market survey for inedible animal fats in Korea and Japan. This project was undertaken to increase U.S. exports of inedible tallow and greases by explaining to processors in those countries new uses for these products, and to work out existing differences between U.S. trade and Japanese and Korean importers as to quality standards. The project was carried out on the spot during July 25 to September 8, 1956, by members of the U.S. trade, and a detailed report prepared.

Promoting interest in, and increasing the demand and market for, U.S. breeds of livestock in Peru. This project assisted U.S. breeders of Brahman and Santa Gertrudis cattle to consign for display and sale, at an advertised public auction, 26 young purebred bulls. The cattle were exhibited at the Piura Fair and Livestock Exhibition in November 1956 and were sold at an average of \$832 per head.

Similar projects will be planned for other South and Central American countries where there is a growing interest in importing purebred cattle. Consideration is also being given to bringing representative breeders from a number of countries to the United States. This would afford them the opportunity to meet with U.S. breed associations and attend livestock expositions (such as the Chicago International) to establish

personal contacts and to see first hand the type and quality of cattle produced in the United States.

Other marketing projects are contemplated which involve the sale of meat products in southern and Western European countries, and in a few selected South American countries. Such market promotion would be carried on primarily in cooperation with the private trade, for example, with the American Meat Institute, Western States Meat Packers Assn., and the National Renderers Assn.

A "meat mission" consisting of representatives of this Department, American Meat Institute, and American Farm Bureau Federation was arranged to conduct a survey in Western Europe. The countries visited were United Kingdom, France, Federal Republic of Germany, Austria, Yugoslavia, Switzerland, Spain, and Italy.

After their results and recommendations are considered, it will be necessary to send a marketing specialist, possibly with an American Meat Institute representative, to Western Europe to follow up the work started. Plans are to publish this report for distribution to the industry in the United States.

International Trade Fairs

U.S. meat and meat products have been displayed at three international trade fairs since 1955--at Cologne, Rome, and London. Approximately 1.3 million foreign consumers viewed the exhibits staged through the cooperation of FAS and private trade, particularly the American Meat Institute. Follow-up reports on the trade fairs indicate that the interest shown in the exhibits heightened the prestige of, and the demand for, U.S. meat and meat products.

At Cologne, the collective show of U.S. products was arranged by FAS and included a display by the American Meat Institute of canned meat, lard, bacon, frozen beef and pork tongues, and pork kidneys and livers. A large number of the 300,000 visitors to the Fair saw the display.

At Rome, the displays in the full-scale, completely equipped and stocked U.S. supermarket included lard and

meats, most of which were flown directly to Italy to assure their arriving in top condition. Most of the 400,000-odd visitors, including 2,000 food distribution executives from 25 countries, saw the display.

At London, meat and lard were among the main features of the U.S. exhibit at the Fourth British Trade Fair held in London. Nearly 200,000 hot dogs made in the United States and given out at the Fair helped bring in record crowds of about 25,000 per day. The exhibit also included American doughnuts fried in American pure lard; an assortment of pork cuts, beef, veal, lamb and pork variety meats; tinned meats; posters, pamphlets, and a color film produced by the American Meat Institute on the story of meat from "farm to table."

Private Trade Activities

A team composed of one representative of the Agricultural Research Service and a number of technical representatives from the packing industry visited West Germany, Netherlands, and Denmark to discuss the canned ham importations into the United States and to obtain information about the reasons why their canned hams were bringing premiums on the American market.

The American Meat Institute has employed a highly qualified representative who will spend all of his time in Western Europe developing markets for livestock and meat products. His salary and expenses will be paid by the Institute. In the event that 104(a) funds become available in countries such as the Federal Republic of Germany or the United Kingdom, more extensive work will be carried on by the representatives.

Trade interest has been indicated in a market development program for animal fats in Chile, Peru, Ecuador, and Colombia, and a report is being obtained from the U.S. agricultural attachés in these countries as to its advisability.

Market Information and Services

FAS has published 252 spot market reports on livestock, meat, and meat products in 1956 in its weekly magazine Foreign Crops and Markets, and has

also published 13 foreign livestock and meat circulars.

Arrangements were recently made with the National Provisioner to supply copies of its "Daily Yellow Sheet" as of the 15th of each month, or nearest to the 15th, which will give Chicago prices for all types of meat products. These "Yellow Sheets" are being sent to about 30 of the U.S. agricultural attachés located in countries where there may be a possibility to sell U.S. meat and livestock products. Attachés in principal livestock countries being provided with meat inspection and grading regulations, including any supplements that may be issued from time to time. These regulations are important to an attaché in his discussions with the trade, particularly from the standpoint of quality and inspection of meat products exported from the United States.

Since arrangements have been made to obtain prices of principal meat products from the various foreign countries, FAS plans to follow these price quotations closely to determine where the United States could effectively enter the market because of its competitive position.

Conferences and trade meetings attended during the year were American Meat Institute's annual meeting, Western States Meat Packers Assn. annual meeting, National Independent Meat Packers Assn. annual meeting, National Livestock Producers' Board of Directors' meeting, VE and hog cholera workshop, National Renderers Assn. annual meeting, and numerous meetings with the Foreign Relations Committee of the American Meat Institute. Papers were presented at the Western States Meat Packers Assn., National Livestock Producers Assn., and the National Renderers Assn.

TOBACCO

Export Situation—1955-56

Exports of unmanufactured tobacco from the United States during fiscal 1956 (578 million pounds, export weight) were 25 percent larger than those for the previous fiscal year, and the largest since fiscal 1947. The value of exports

at \$379 million, was a record. (See the table below.) Factors stimulating U.S. exports during the last fiscal year included: (1) sales for foreign currencies under P. L. 480; (2) increasing world consumption of cigarettes made from light tobaccos; (3) low stocks abroad in relation to consumption; (4) high levels of economic activity abroad; (5) improved gold and dollar reserves position in a number of important foreign markets; and (6) expanded imports of foreign goods into the United States, providing overseas tobacco markets with the necessary dollar exchange to purchase tobacco, as well as other U.S. commodities, in larger volume.

Prospects for fiscal 1957 are not as favorable, although exports should remain at a reasonably high level. Supplies of foreign tobaccos which compete with U.S. leaf in world trade are the highest in history. Increased prices for some of the low and medium grades of U.S. leaf, usually popular in the export trade, probably will adversely affect demand from certain markets where price is the primary consideration. Stocks have been built up appreciably in a number of countries. Exports to certain markets, particularly the Philippines, will be sharply curtailed owing to

U.S. exports of tobacco under specified programs and cash sales, 1949-56

[In millions of dollars]

Year ending June 30	Foreign dollar sales	U.S. grants and aid programs	Foreign currency sales ¹	Total
1949..	110	116	-	226
1950..	86	149	-	235
1951..	142	132	-	274
1952..	271	56	-	327
1953..	265	20	-	285
1954..	274	-	27	301
1955..	292	-	² 14	306
1956..	327	-	³ 52	379

¹Under Sec. 550 of the Mutual Security Act, Title I of P. L. 480 and Sec. 402 of P. L. 665. ²Includes about \$2.3 million under Title I of P. L. 480. ³Includes about \$50 million under Title I of P. L. 480.

the success of the drive to become self-sufficient. The expanding network of bilateral trading arrangements, such as those for Greece, Turkey, and Southern Rhodesia on the one hand, and importing countries on the other, will also exert a continuing unfavorable influence on the level of U.S. exports.

U.S. Trade Programs

The following government export programs have been effective in helping expand exports of U.S. tobacco:

Sales for Foreign Currencies.--During the 2-year period ending June 30, 1956, 23 agreements were signed with 16 countries providing for the sale of \$81.4 million worth of U.S. tobacco (about 120.9 million pounds) under Title I of P. L. 480. Agreements providing for the sale of about 54 million pounds were signed in fiscal 1955 compared with about 66 million pounds in fiscal 1956. The market value and estimated weight of the tobacco included in all agreements signed as of June 30, 1956, are as follows:

Country	Estimated quantity (Million pounds)	Value (Million dollars)
Austria	5.90	3.50
Brazil . . . . .	.10	.25
Burma	1.50	1.10
Chile . . . . .	.30	.25
Ecuador . . . . .	.32	.20
Finland	10.10	6.00
France . . . . .	.87	.65
Indonesia	23.00	15.00
Israel . . . . .	.50	.40
Italy	4.20	3.20
Japan	10.30	7.90
Korea	9.00	6.62
Pakistan	3.60	3.00
Spain	8.60	4.30
Thailand	2.60	2.00
United Kingdom . . .	40.00	27.00
Total	120.89	81.37

Shipments of tobacco under fiscal year 1955 and 1956 programs, as of June 30, 1956, totaled about 75 million pounds; about 4 million pounds were shipped

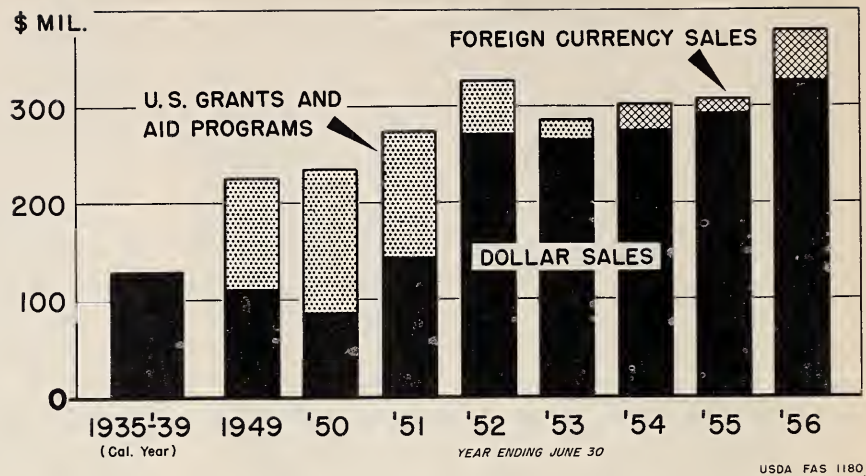
prior to June 30, 1955, and the remaining 71 million pounds, during fiscal year 1956.

Tobacco sold under the program must be used to increase the stock level or be used for increased consumption. In this respect the program for tobacco has been successful to date. For example, in calendar 1955 total exports exceeded the calendar 1954 level by about 84 million pounds. About one-half of this increase was due to sales under P. L. 480 and the other 42-million-pound increase was due to an increase in "dollar" sales. In fiscal 1956,

"dollar" sales exceeded total exports in fiscal 1955 by about 44 million pounds. In addition, about 71 million pounds of tobacco were shipped under provisions of P. L. 480 during the year ending June 30, 1956. Sales under this program have been in addition to "dollar" sales and have not been unduly disruptive to world market prices.

Examples of significant developments under P. L. 480 are as follows: (1) The agreements with Korea and Burma represent new postwar markets for U.S. tobacco; (2) arrangements have been made to ship cut tobacco in bulk to countries such as Spain and Ecuador; (3) a special credit arrangement with the United Kingdom, which permitted purchase of tobacco during the season and shipment later, helped boost the auction markets during sale of the 1954 and 1955 crops; (4) several countries such as the United Kingdom built their stocks of tobacco to more normal levels; (5) several countries have been able to introduce new brands of American-type cigarettes resulting in increased use of U.S. tobacco and additional revenue for the country concerned, and (6) the usual marketing requirements under the program were an important factor in helping increase "dollar" sales during the past 2 years.

U.S. tobacco exported for dollars and under government programs



Foreign Aid Financing.--During fiscal 1956, tobacco was made eligible for sale as a part of triangular trade transactions under Section 402 of the Mutual Security Act. Under this program provisions have been made for the sale of \$1,650,000 worth of fire-cured tobacco to France, and \$650,000 worth of fire-cured tobacco to Italy. This program was helpful in disposing of dark fire-cured tobacco which was in surplus and permitted France and Italy to purchase the tobacco with local currency, enabling them to fulfill their usual marketing requirements. It also permitted these two countries to sell manufactured goods to underdeveloped countries.

CCC Export Offerings of Dark Tobacco on Bid Basis.--Demand for fire-cured and dark air-cured tobacco has been declining in the United States and in the world generally for a number of years as a result of the worldwide shift toward lighter types. To help dispose of old stocks of dark tobaccos, USDA in April 1956, announced that certain grower association stocks of dark tobaccos would be offered for sale, for export, on a competitive bid basis. About 2 million pounds had been sold under this program as of August 15, 1956. This program not only helps dispose of burdensome stocks of dark tobaccos, but also makes it

possible for these tobaccos to be sold in world markets that can afford to purchase tobacco only at a relatively low price.

Credit on Export Sales.--For a number of years some of the major competitive exporters of leaf tobacco have been offering credit terms to expand exports. However, on April 10, 1956, the first sale of tobacco under CCC's export credit sales program was made by a grower's association, which sold 58,000 pounds of recent-crop fire-cured tobacco to a U.S. exporter for export to Western Europe.

As of August 15, 1956, about 750,000 pounds of U.S. tobacco had been sold under provisions of this credit arrangement. It is expected that this credit plan will enable a number of importing countries to effect long-term planning in their purchases of U.S. tobacco and will also enable them to more readily meet their "usual" marketings under Title I of P. L. 480.

Reducing Foreign Trade Barriers

Producers and exporters of U.S. leaf tobacco face a variety of obstacles in attempting to sell their product in the world marketplace. True, over the past several years, there has been some easing of the barriers restricting imports of U.S. tobacco, especially in a number of important outlets in Western Europe. But state trading, monopolies bilateral agreements of various forms, excessively high and preferential tariffs, exchange controls quotas and guaranteed markets--all exist today, and in varying degrees hamper the free flow of U.S. tobacco into foreign countries.

In late 1954, a list of all of the trade barriers adversely affecting U.S. tobacco exports was compiled along with an explanation of each; this information was distributed to the interested public as a tobacco circular. Wherever possible, the attention of the appropriate government officials concerned with trade agreement negotiations has been directed to the trade barriers facing U.S. tobacco exporters - particularly those that are obviously discriminatory.

At the GATT conference, held January-May 1956, evidence was presented to the members of the U.S. Delegation aiding them in obtaining some tariff concessions on U.S. leaf tobacco and tobacco products. Concessions were obtained on U.S. cigars in the Belgian market; on leaf tobacco in Chile; on cigarettes in Germany; and on cigarette tobacco in the Dominican Republic. Evidence of several flagrantly discriminatory situations with respect to U.S. tobacco was used by the U.S. negotiators during the fall of 1956, in an effort to have such situations improved.

Barriers to U.S. tobacco are largely politico-economic in origin. Consequently, it is extremely difficult to achieve much success in having them removed under present conditions of international trade. Further, although tariffs in a number of countries appear to be excessive, and to put a brake on consumption, the importance of tobacco as a revenue producer precludes much, if any, manipulation of existing tariff levels. Efforts to remove trade barriers, which are often obviously discriminatory toward U.S. tobacco, under the best of circumstances, can meet with only limited success, because of the exceptions listed in the GATT agreement.

Market Surveys and Analysis

During the past 18 months, all of the 31 major foreign markets for U.S. tobacco have been visited by a tobacco marketing specialist in an effort to help promote aggressively the exports of U.S. tobacco. The major U.S. tobacco market, Western Europe, which accounts for about 75 percent of U.S. tobacco exports, was visited twice.

The following tobacco market surveys have been completed to date: In the spring of 1955, a marketing specialist visited the 13 major present and potential Western European markets for U.S. tobacco. From his knowledge of American leaf and its uses, he was able to advise foreign tobacco manufacturers as to the best use of U.S. leaf, and to suggest products and purposes in which certain U.S. types could be used to better

advantage than the traditional tobaccos from other sources. Upon his return, market analyses were prepared on 11 countries and released to the trade in the form of circulars.

During September and October 1955, a marketing specialist made a market survey in 7 countries of Western Europe. He attempted to interest government officials and the trade in purchasing tobacco under P. L. 480 and also in undertaking market development projects (Section 104(a)) on a mutually beneficial basis. As a result, it has been possible to get 2 projects underway, and 3 others approved to go into operation in the fall of 1956. This specialist found that importers in Western Europe did not like some of the 1955 flue-cured crop which was lacking in flavor and aroma. Findings of this survey were made available by a news release and magazine article and at trade meetings.

In August 1955, a marketing specialist made a survey of 11 markets in the Near and Far East. He also made an effort to develop interest in tobacco sales under P. L. 480 in cases where balance of payments difficulties restricted an increase in dollar sales and to facilitate and encourage tentative and existing programs under this law. A news release and magazine article were prepared which indicated to the U.S. trade the major developments relative to U.S. tobacco exports.

During the summer of 1955, a tobacco specialist of FAS served as acting agricultural attaché in Manila, Philippines, and devoted a substantial amount of his time to problems relating to the sale of U.S. tobacco to that country. He kept FAS and the U.S. tobacco trade informed regarding the outlook for exports at a time when Philippine tobacco producers were objecting to further imports of U.S. tobacco. This specialist was influential in helping U.S. exporters sell about 9 million pounds of tobacco to the Philippines during late 1955.

During May-June 1956, a marketing specialist visited 5 countries of Africa. There, he explored possibilities for expanding the markets for U.S. tobacco. At Pretoria he and the U.S. agricultural

attaché were instrumental in influencing the Union of South Africa to announce the issuance of duty-free import licenses for 3 million pounds of air-cured tobacco from any source. It is expected that the United States will supply a substantial share of this requirement.

Projects Using Foreign Currencies

In February 1956, in order to help develop new export markets for tobacco, an agreement was signed between the USDA and representatives of the tobacco trade providing for a foreign market development program for tobacco. It is expected that the U.S. tobacco trade will carry out these projects and continue market development work in the years ahead.

In most of the countries that have purchased tobacco under P. L. 480, the Department and U.S. tobacco trade plan to develop projects that will help increase the consumption of U.S. tobacco. To help develop new markets for U.S. tobacco, some of the following types of projects will be undertaken:

- Help advertise and expand the consumption of tobacco products that use a high percentage of U.S. leaf.

- Pay expenses of foreign tobacco officials for travel to the United States to learn more about processing, manufacturing, and distribution.

- Help train research personnel and help with initial operating expenses of pilot plants for improving storage or processing of U.S. tobacco.

- Participate in trade fairs.

- Pay for research studies, such as a market analysis survey, a consumer preference study, and a study of the effect of taxation and retail price of tobacco products on consumption and government revenue.

Four market development projects are now underway:

The field work on a survey "Factors Affecting the Demand for U.S. Tobacco in Spain" was completed in June 1956. This survey was a cooperative project between FAS, the University of Kentucky, the U.S. tobacco trade, and the Spanish Tobacco Monopoly. It was conducted by two agricultural economists from the

University of Kentucky, who spent 3 months in Spain making an on-the-spot market study. All phases of the tobacco situation in Spain were studied including production, trade, output, marketing, and consumption of tobacco products; taxation; and governmental factors. The necessary data and information have been assembled for a detailed publication. Preliminary findings indicate that the U.S. tobacco trade can anticipate a moderate expansion in exports to Spain.

In May 1956, the U.S. tobacco trade, FAS, and the Japanese Tobacco Monopoly launched a promotional project for expanding sales of Japanese brands of cigarettes containing U.S. leaf. This project got underway immediately following the Osaka Trade Fair, at which there was an elaborate tobacco exhibit.

It calls for the expenditure of about \$190,000 worth of yen and/or dollars during fiscal 1957 and will utilize all types of advertising media. In connection with this project, two key officials of the Japanese Monopoly who are associated with sales and distribution work spent 2 months in the United States studying U.S. methods of advertising and distributing projects. The U.S. tobacco trade is utilizing the services of a large U.S. advertising agency as a consultant on this project.

It is too early to appraise the results of this promotional project; however, the Japanese Monopoly is cooperating wholeheartedly and indications are that the campaign is off to a good start.

A project also provided for the visit of three key officials of the Thailand Tobacco Monopoly to the United States. Thailand is confronted with numerous problems relative to the processing and storage of U.S. leaf. Monopoly officials have also been anxious to learn more about advertising and distribution of tobacco products. These officials have been visiting universities, experiment stations, and tobacco firms in order to learn how to store, process, and distribute their tobacco products more effectively.

These officials have expressed an interest in setting up a pilot research

plant to study storage and processing of tobacco and in undertaking a promotional project in cooperation with the U.S. tobacco trade and FAS.

If Thailand can solve its tobacco storage problem and more effectively advertise and distribute its tobacco products, the potential market for U.S. tobacco may be substantially increased.

A consumer preference study of tobacco products in Italy is now underway. It is a cooperative project between FAS, the U.S. tobacco trade, the University of Tennessee, and the Italian Tobacco Monopoly. An agricultural economist from the University went to Italy to arrange for the study with an Italian research organization and the Monopoly.

Information on consumer preference is basic in the development of a sound market promotion program. This study will be directed toward obtaining information on buying practices of consumers, consumer judgment as to how prices and brand (or type of cigarette) influence the quantity purchased, and the relationship of buying practices to advertising and knowledge of the various brands of cigarettes.

It is expected that this study will indicate how the consumption of Italian brand cigarettes containing U.S. leaf and American cigarettes may be increased. Based on results of this study, it is expected that projects of a promotional nature may be undertaken in the near future to help increase the consumption of U.S. tobacco in Italy.

Five additional projects have been approved. They provide for visits to the United States by key officials of the tobacco trade in France, Korea, Austria, and Finland and for help in training research personnel and in initial operation of a pilot research plant in Thailand.

International Trade Fairs

International trade fairs afford FAS and the U.S. tobacco trade an excellent opportunity to effectively advertise U.S. tobacco and products made from U.S. tobacco to a large number of consumers by means of tobacco market-promotion exhibits. The purpose of these exhibits is to build up the prestige and demand

for products containing U.S. tobacco in the markets of that country and also of neighboring countries. Tobacco market-promotion exhibits have been displayed at the trade fairs at Cologne, Osaka, Barcelona, and Rome. Typical of the exhibits are:

The Osaka exhibit, sponsored jointly by FAS, the U.S. tobacco trade, and the Japanese Tobacco Monopoly. The extensive exhibit consisted of a display of U.S. leaf, large color pictures showing production and processing and machinery to manufacture and package cigarettes on-the-spot. Fair visitors received samples of these cigarettes, which were a blend of U.S. and Japanese tobacco; about 390,000 were passed out. Most of the half million visitors viewed the tobacco exhibit, among the most popular at the Fair.

The exhibit received excellent publicity from local newspapers, and the Japanese Monopoly has indicated an interest in cooperating on similar exhibits at future trade fairs in Japan. To take maximum advantage of the publicity received at the Fair, a large-scale promotional program was launched in May 1956, with the objective of expanding the sale of Japanese brands of cigarettes containing U.S. tobacco.

The Barcelona exhibit, sponsored jointly by the USIS, USDA, the U.S. tobacco trade, and Tabacalera. It consisted of three high-speed American machines which rolled, wrapped, and packaged 1,200 cigarettes per minute on-the-spot. Samples of these Spanish-brand cigarettes, made primarily from U.S. tobacco, were distributed to visitors. Also exhibited was display material indicating the high quality of cigarettes made from U.S. tobacco. Most of the more than one million patrons who visited the U.S. exhibits saw this exhibit.

Private Trade Activities

Four major tobacco trade associations are endeavoring to increase the exports of U.S. tobacco:

Tobacco Associates, Inc.

Leaf Tobacco Exporters Association

Burley and Dark Leaf Tobacco Export Association

National Cigar Leaf Tobacco Association

There are over 100 exporters of U.S. tobacco. Officials of many of these firms have long-established relations with tobacco importers in foreign countries and send representatives abroad each year who aggressively promote sales of U.S. tobacco.

The tobacco trade associations are active also in encouraging programs in the United States which will help increase exports of U.S. tobacco. Recent activities which have been undertaken are:

During the summer of 1955 the president of the largest association traveled to various countries of Europe to survey the tobacco situation and to find ways and means of expanding exports of flue-cured tobacco.

During September 1955, two trade officials made a special trip to the Philippines to discuss problems relating to U.S. tobacco exports to that country. These officials were instrumental in helping U.S. exporters ship about 9 million pounds of U.S. tobacco to the Philippines in late 1955 and early 1956. This visit also enabled the U.S. tobacco trade to get a better understanding of the problems relating to the Philippine tobacco situation.

One of the associations has a blending expert stationed in Europe. He travels to various countries of Europe and nearby countries to help manufacturers which use U.S. Burley tobacco with their blending problems. He also encourages manufacturers to use as much U.S. Burley tobacco as is feasible.

In the spring of 1956, a trade official traveled to Hong Kong, Indonesia, and the Philippines to survey the tobacco situation in those countries and to help expand exports of U.S. tobacco. He also represented the trade at the Osaka Fair and was in charge of getting the tobacco market development project in Japan underway.

Market Information and Services

During fiscal year 1956, FAS published 179 spot market reports on tobacco in its weekly magazine "Foreign

Crops and Markets." Also published were 24 market circulars, most prominent of which was "World Tobacco Analysis." In addition to the keen interest, which is evident by the request of additional reprints of copies of circulars, there have been 798 reprints of articles from FAS publications on tobacco by leading tobacco publications throughout the United States and the world.

In July 1955, a tobacco specialist of FAS wrote the lead article for an important trade magazine on "Factors

Affecting Leaf Exports."

Numerous trips have been made throughout the United States to observe auction sales as they relate to exports and to attend trade meetings and conferences in order that they may keep the U.S. trade up to date on the occurrences in the "tobacco world." FAS staff members have made speeches at tobacco trade meetings and have joined seminar groups at various universities in order to supply information to these groups.

